

No. 10547-48

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United States 14  
Circuit Court of Appeals  
For the Ninth Circuit.

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WILLIAM R. WALLACE, JR.,  
Petitioner,  
vs.

COMMISSIONER OF INTERNAL REVENUE,  
Respondent.

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INA CLAIRE WALLACE,  
Petitioner,  
vs.

COMMISSIONER OF INTERNAL REVENUE,  
Respondent.

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Transcript of the Record

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Upon Petitions to Review Decisions of the Tax Court  
of the United States

FILED

OCT 28 1943



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Circuit Court of Appeals

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Transcript of the Record

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Upon Petitions to Review Decisions of the Tax Court  
of the United States



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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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## APPEARANCES

For Taxpayer:

WILLIAM R. WALLACE, JR., ESQ.

RICHARD P. NORTON, ESQ.

WILLIAM R. RAY, ESQ.

For Commissioner:

A. T. MURRAY, ESQ. [1\*]

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\*Page numbering appearing at top of page of original certified Transcript of Record.

## United States Board of Tax Appeals

Docket No. 110143

WILLIAM R. WALLACE, JR.,

Petitioner.

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

## PETITION .

The above named petitioner hereby petitions for a redetermination of the deficiency set forth by the Commissioner of Internal Revenue in his notice of deficiency IRA:90-D CRA (CT:TS:PDSF.ORM) dated December 17, 1941, and as a basis of his proceeding alleges as follows:

1. The Petitioner is an individual with his residence at 930 Chestnut Street, San Francisco, California. The return for the period here involved was filed with the Collector for the First District of California.

2. The Notice of Deficiency (a copy of which is attached and marked Exhibit "A") was mailed to the Petitioner on December 17, 1941.

3. The taxes in controversy are income taxes for the calendar year 1939 and in the amount of \$558.41.

4. The determination of tax set forth in said notice of deficiency is based upon the following errors:

[2]

a. The Commissioner erred in adjusting petitioner's net income as shown on his return, by adding

thereto the sum of \$2,315.16 as shown in the statement accompanying notice of deficiency, which statement is attached hereto and marked Exhibit "B."

b. The Commissioner erred in computing petitioner's corrected income tax liability in the sum of \$6,256.43 based upon a taxable income of \$40,702.50 as shown in Exhibit "B." Petitioner does not object to the Commissioner's decrease of income by \$152.37 for decreased trust income.

c. The Commissioner erred in computing a deficiency of income tax of \$558.41 as shown in Exhibit "B."

d. The Commissioner erred in holding and determining that taxpayer's wife may not keep her residence with taxpayer at a point where she is not engaged in business.

e. The Commissioner erred in determining that taxpayer may not take a deduction from gross income for household expenses of taxpayer's wife while she was away from residence of herself and taxpayer on business.

f. The Commissioner erred in disallowing deductions for expenses of taxpayer's wife while away from the place of residence on business.

g. The Commissioner erred in determining that expenses of taxpayer's wife while away from residence on business were personal living expenses and not ordinary and necessary business expenses. [3]

h. The Commissioner erred in determining that the residence of taxpayer's wife was Los Angeles from March 16th to about September 15th, 1939.

5. The facts upon which petitioner relies as the basis of this proceeding are as follows:

a. Taxpayer has maintained his home, domicile, residence and place of business in San Francisco since about 1929. On March 16, 1939 taxpayer and Mrs. Ina Claire Wallace were married, and have remained so ever since. Prior to that date, Mrs. Wallace lived in New York City.

b. From about May 1, 1939 to about September 15, 1939, Mrs. Wallace was in Los Angeles engaged in carrying out a contract with Metro-Goldwyn-Mayer wherein she performed services as an actress. She has been for many years an actress by profession.

c. From and after her marriage with taxpayer, Mrs. Wallace maintained her home and residence in San Francisco with taxpayer. Several times during her stay in Los Angeles while performing services as an actress, she returned home to San Francisco for short periods. At all times since March 16, 1939 she intended to live in San Francisco indefinitely, did not intend to live in Los Angeles, and while there she intended to stay there only as long as necessary to complete her contract for professional services.

d. From March 16, 1939, until about September 15, 1939, Mrs. Wallace expended out of community funds the following sums [4] necessarily incurred in performance of her contract of employment:

Food .....	\$ 786.90
Milk .....	22.06
Entertainment, etc. ....	301.77

Chaffeur .....	202.41
Cook .....	429.83
Flowers, gardener .....	99.20
Liquors, etc. ....	145.61
Rent .....	2,475.00
Light .....	41.02
Water .....	56.91
Gas .....	37.26
Wood .....	12.36
<hr/>	
Total .....	\$4,630.33

f. The sum of \$2,315.16 disallowed by Commissioner as a business expense is one-half of said total disbursements allocable to taxpayer as expenditures from community funds. Said expenditures were not personal living expenses of taxpayer, but were necessary and ordinary business expenses of taxpayer and his wife, and were in addition to personal living expenses of taxpayer and his wife in maintaining their home and domicile in San Francisco during the same period.

Wherefore petitioner prays that this Board may hear the proceeding and may find and decide in favor of petitioner and against respondent that no income tax deficiency exists for the year 1939, and that petitioner be relieved from the aforesaid determination of deficiency by the Commissioner.

W. R. WALLACE, JR.,

in pro per

RICHARD P. NORTON,

Counsel for petitioner

310 Sansome Street,

San Francisco, California. [5]

State of California,

City and County of San Francisco—ss:

William R. Wallace, Jr., being first duly sworn,  
says:

That he is the Petitioner herein; that he has read the foregoing Petition, or had the same read to him, and is familiar with the statements contained therein, and that the statements contained therein are true except those stated to be upon information and belief, and that those he believes to be true.

WILLIAM R. WALLACE,  
JR.

Subscribed and sworn to before me this 6th day  
of March, 1942.

[Seal] AMY B. TOWNSEND,  
Notary Public in and for the City and County of  
San Francisco, State of California. [6]



EXHIBIT A

Form 1230

Office of

Internal Revenue Agent in Charge

San Francisco Division

IRA:90-1D

CRA

(CT:TS:PD

SF:ORM)

Treasury Department  
Internal Revenue Service  
74 New Montgomery Street  
San Francisco, California

Dec. 17, 1941

Mr. William R. Wallace, Jr.,  
c/o Williamson & Wallace,  
310 Sansome Street,  
San Francisco, California.

Sir:

You are advised that the determination of your income tax liability for the taxable year ended December 31, 1939 discloses a deficiency of \$558.41 as shown in the statement attached.

In accordance with the provisions of existing internal revenue laws, notice is hereby given of the deficiency mentioned.

Within 90 days (not counting Sunday or a legal holiday in the District of Columbia as the 90th day) from the date of the mailing of this letter, you may file a petition with the United States Board of Tax Appeals for a redetermination of the deficiency.

Should you not desire to file a petition, you are requested to execute the enclosed form and forward it to the Internal Revenue Agent in Charge, San Francisco, California for the attention of Conference Section. The signing and filing of this form will expedite the closing of your return (s) by permitting an early assessment of the deficiency, and will prevent the accumulation of interest, since the interest period terminates 30 days after filing the form, or on the date assessment is made, whichever is earlier.

Respectfully,

GUY T. HELVERING,

Commissioner,

By F. M. HARLESS,

Internal Revenue Agent in  
Charge.

Enclosures:

Statement

Ford of Waiver

RR [7]



## EXHIBIT B

## Statement

San Francisco

IRA :90-D

CRA

(CT:TS:PD

SF:ORM)

Mr. William R. Wallace, Jr.,  
 c/o Williamson & Wallace  
 310 Sansome Street  
 San Francisco, California

Tax Liability for the Taxable Year Ended December 31,  
 1939.

	Liability	Assessed	Deficiency
Income Tax .....	\$6,256.43	\$5,698.02	\$ 558.41

In making this determination of your income tax liability, careful consideration has been given to your protest of June 27, 1941 and to the statements made at the conferences held on July 25, October 17, October 27, and October 31, 1941.

## ADJUSTMENTS TO NET INCOME

Net income as disclosed by return .....	\$ 38,539.71
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Unallowable deductions and  
 additional income:

(a) Living expenses while away from home.....	2,315.16
---	----------

Total .....	\$ 40,854.87
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Nontaxable income and additional  
 deductions:

(b) Trust income decreased .....	152.37
----------------------------------	--------

Net income adjusted .....	\$ 40,702.50
---------------------------	--------------

[8]

## Explanation of Adjustments

(a) It is held that the taxpayer, Mrs. Ina Claire Wallace, your wife may not keep her place of resi-

dence at a point where she is not engaged in business and take a deduction from gross income for her living expenses while away from her residence.

Since it has been held that your wife, Mrs. Ina Claire Wallace, may not keep her place of residence at a point where she is not engaged in business and take a deduction from gross income for her living expenses while away from her residence, the portion of such expenses claimed as a deduction in your return for the taxable year 1939 is disallowed.

(b) Your distributive share of trust income for 1939 is adjusted as follows:

John M. Wallace, et al, Fiduciary	
Salt Lake City, Utah .....	\$ 11,118.07
Wallace Company, Fiduciary,	
Salt Lake City, Utah .....	6,051.42
	<hr/>
Total as adjusted .....	\$ 17,169.49
Total reported by you .....	17,321.86
	<hr/>
Net decrease .....	\$ 152.37
	<hr/>

#### COMPUTATION OF TAX

Net income adjusted .....	\$ 40,702.50
Less: Personal exemption .....	2,125.00
	<hr/>
Balance (surtax net income) .....	\$ 38,577.50
Less: Earned income credit	
(10 percent of \$14,000.00) .....	1,400.00
	<hr/>
Net income subject to normal tax .....	\$ 37,177.50
Normal tax at 4 percent on \$37,177.50 .....	\$ 1,487.10
Surtax on \$38,577.50 (Amount in excess of	
\$4,000.00) .....	4,778.60
	<hr/>
Total tax .....	6,265.70
Less: Income Tax paid at the source .....	9.27
	<hr/>
Correct income tax liability .....	\$ 6,256.43

Income tax assessed:

Original, account No. 203880—First California

District ..... 5,698.02

Deficiency of income tax .....\$ 558.41

[Endorsed]: U.S.B.T.A. Filed Mar. 11, 1942. [9]

[Title of Board and Cause.]

Docket No. 110143

### ANSWER

Comes now the Commissioner of Internal Revenue, respondent above named, by his attorney, J. P. Wenichel, Chief Counsel, Bureau of Internal Revenue, and for answer to the petition filed by the above-named petitioner, admits and denies as follows:

1. Admits the allegations contained in paragraph 1 of the petition.
2. Admits the allegations contained in paragraph 2 of the petition.
3. Admits the allegations contained in paragraph 3 of the petition.
4. (a) to (h), inclusive. Denies that the determination of tax set forth in the notice of deficiency is based upon errors as alleged in paragraph 4 and subparagraphs (a) to (h), inclusive, thereunder, of the petition. [10]
5. (a) Admits that the taxpayer has maintained his home, domicile, residence and place of business in San Francisco since about 1929, and that on March

16, 1939, taxpayer and Mrs. Ina Claire Wallace were married and have remained so ever since; denies all other allegations contained in subparagraph (a) of paragraph 5 of the petition.

(b) (c) (d) (f) For lack of information and for other reasons, denies all allegations contained in subparagraphs (b), (c), (d) and (f) of paragraph 5 of the petition.

6. Denies generally and specifically each and every allegation in the petition not hereinbefore admitted, qualified, or denied.

Wherefore, it is prayed that the Commissioner's determination be approved and the petitioner's appeal denied.

(Signed) J. P. WENCHEL,  
Chief Counsel, ALM  
Bureau of Internal Revenue.

Of Counsel:

ALVA C. BAIRD,  
Division Counsel.

T. M. MATHER,  
ARTHUR L. MURRAY,  
Special Attorneys,

Bureau of Internal Revenue.

[Endorsed]: U.S.B.T.A. Filed April 28, 1942. [11]

United States Board of Tax Appeals

Docket No. 110144

INA CLAIRE WALLACE,

Petitioner.

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

PETITION.

The above named petitioner hereby petitions for a redetermination of the deficiency set forth by the Commissioner of Internal Revenue in his notice of deficiency IRA:90-D CRA (CT:TS:PDSF:ORM) dated December 17, 1941, and as a basis of his proceeding alleges as follows:

1. The Petitioner is an individual with her residence at 930 Chestnut Street, San Francisco, California. The return for the period involved here was filed with the Collector for the First District of California.

2. The Notice of Deficiency (a copy of which is attached and marked Exhibit "A") was mailed to the Petitioner on December 17, 1941.

3. The taxes in controversy are income taxes for the calendar year 1939 and in the amount of \$503.41.

4. The determination of tax set forth in said notice of deficiency is based upon the following errors:

[12]

a. The Commissioner erred in adjusting petitioner's net income as shown on her return, by adding

thereto the sum of \$2,315.16 as shown in the statement accompanying Notice of Deficiency, which statement is attached hereto and marked Exhibit "B"

b. The Commissioner erred in computing petitioner's corrected income tax liability in the sum of \$3,438.79 based upon a taxable income of \$27,958.87 as shown in Exhibit "B". Petitioner does not object to the Commissioner's decrease of income by \$62.60 for decreased fiduciary income, nor to increase of \$150.00 for unallowable bad debt (tax on this increase has been paid).

c. The Commissioner erred in computing a deficiency of income tax of \$503.41 as shown in Exhibit "B".

d. The Commissioner erred in holding and determining that taxpayer may not keep her residence with taxpayer's husband at a point where she is not engaged in business.

e. The Commissioner erred in determining that taxpayer may not take a deduction from gross income for household expenses while she was away from residence of herself and her husband on business.

f. The Commissioner erred in disallowing deductions for expenses of taxpayer while she was away from the place of residence on business.

g. The Commissioner erred in determining that expenses of taxpayer while away from residence on business were personal living expenses and not ordinary and necessary business expenses.



h. The Commissioner erred in determining that the residence of taxpayer was Los Angeles from March 16 to September 15, 1939. [13]

5. The facts upon which petitioner relies as the basis of this proceeding are as follows:

a. Taxpayer's husband, William R. Wallace, Jr., has maintained his home, domicile, residence and place of business in San Francisco since about 1929. On March 16, 1939, taxpayer and Mr. Wallace were married, and have remained so ever since. Prior to that date taxpayer lived in New York City.

b. From about May 1, 1939 until about September 15, 1939 taxpayer was in Los Angeles engaged in carrying out a contract with Metro-Goldwyn-Mayer wherein she performed services as an actress. She is and has been for many years an actress by profession.

c. From and after her marriage with Mr. Wallace, taxpayer maintained her home and residence in San Francisco. Several times during her stay in Los Angeles while performing services as an actress she returned home to San Francisco for short periods. At all times since March 16, 1939, she intended to live in San Francisco indefinitely, did not intend to live in Los Angeles, and while there she intended to stay there only as long as necessary to complete her contract for professional services.

d. From March 16, 1939 until about September 15, 1939, taxpayer expended out of community funds the following sums necessarily incurred in performance of her contract of employment: [14]

Food .....	\$ 786.90
Milk .....	22.06
Chaffeur .....	202.41
Entertainment, etc. ....	301.77
Cook .....	429.83
Flowers, gardener .....	99.20
Liquors, etc. ....	145.61
Rent .....	2,475.00
Light .....	41.02
Water .....	56.91
Gas .....	37.26
Wood .....	12.36
<hr/>	
Total .....	\$4,630.33

e. The sum of \$2,315.16 disallowed by Commissioner as a business expense is one half of said total disbursements allocable to taxpayer as expenditures from community funds. Said expenditures were not personal living expenses of taxpayer but were necessary and ordinary business expenses of taxpayer and were in addition to personal living expenses of taxpayer and her husband in maintainig their home and domicile in San Francisco during the same period.

Wherefore petitioner prays that this Board may hear the proceeding and may find and decide in favor of petitioner and against respondent that no income tax deficiency exists for the year 1939, and that



petitioner be relieved from the aforesaid determination of deficiency by the Commission.

WILLIAM R. WALLACE, JR.

RICHARD P. NORTON,

Counsel for Petitioner

310 Sansome Street,

San Francisco, California.

[15]

State of California,

City and County of San Francisco—ss:

Ina Claire Wallace, being first duly sworn, deposes and says:

That she is the Petitioner herein; that she has read the foregoing Petition, or had the same read to her, and is familiar with the statements contained therein, and that the statements contained therein are true except those stated to be upon information and belief, and that those she believes to be true.

INA CLAIRE WALLACE

Subscribed and sworn to before me this 6th day of March, 1942.

(Seal) AMY B. TOWNSEND,

Notary Public in and for the City and County of San Francisco, State of California.

My Commission expires October 29, 1942. [16]

## EXHIBIT A

Treasury Department

Form 1230

Office of

Internal Revenue Agent in Charge

San Francisco Division

IRA :90-D

CRA

(CT:TS:PD

SF:ORM)

Internal Revenue Service

74 New Montgomery Street

San Francisco, California

Dec 17 1941

Mrs. Ina Claire Wallace,  
c/o Williamson & Wallace,  
310 Sansome Street,  
San Francisco, California.

Madam:

You are advised that the determination of your income tax liability for the taxable year ended December 31, 1939 discloses a deficiency of \$503.41 as shown in the statement attached.

In accordance with the provisions of existing internal revenue laws, notice is hereby given of the deficiency mentioned.

Within 90 days (not counting Sunday or a legal holiday in the District of Columbia as the 90th day) from the date of the mailing of this letter, you may

file a petition with the United States Board of Tax Appeals for a redetermination of the deficiency.

Should you not desire to file a petition, you are requested to execute the enclosed form and forward it to the Internal Revenue Agent in Charge, San Francisco, California for the attention of —Conference Section—. The signing and filing of this form will expedite the closing of your return (s) by permitting an early assessment of the deficiency, and will prevent the accumulation of interest, since the interest period terminates 30 days after filing the form, or on the date assessment is made, whichever is earlier.

Respectfully,

GUY T. HELVERING,

Commissioner,

By F. M. HARLESS,

Internal Revenue Agent in  
Charge.

Enclosures:

Statement.

Form of Waiver [17]

## EXHIBIT B

## Statement

San Francisco

IRA :90-D

CRA

(CT:TS:PD

SF:ORM)

Mrs. Ina Claire Wallace,  
c/o Williamson & Wallace  
310 Sansome Street,  
San Francisco, California

Tax Liability for the Taxable Year Ended December 31,  
1939.

	Liability	Assessed	Deficiency
Income Tax .....	\$3,438.79	\$2,935.38	\$ 503.41

In making this determination of your income tax liability, careful consideration has been given to your protest of June 27, 1940 and to the statements made at the conferences held on July 25, October 17, October 27 and October 31, 1941.

## ADJUSTMENTS TO NET INCOME

Net income as disclosed by return .....	\$ 25,557.30
Unallowable deductions and additional income:	
(a) Living expenses while away from home .....	\$2,315.17
(b) Bad debt .....	150.00
	<hr/>
Total .....	\$ 28,022.47
Nontaxable income and additional deductions:	
(c) Fiduciary income decreased .....	63.60
	<hr/>
Net income adjusted .....	\$ 27,958.87
	<hr/>

## Explanation of Adjustments

(a) It is held that you may not keep your place of residence at a point where you are not engaged in business and take a deduction from gross income for your living expenses while away from your residence.

Since it has been held that you may not keep your place of residence at a point where you are not engaged in business and take a deduction from gross income for your living expenses while away from your residence, the portion of such expenses claimed as a deduction in your return for the taxable year 1939 has been disallowed.

(b) You state that in May, 1937 you loaned \$500.00 to Marguerite Fitzgerald on a note due June 10, 1937, and that after this note became due and demand for payment had been made it was finally settled by said Marguerite Fitzgerald giving you seven new notes for \$50.00 each, due periodically from December 1, 1937, to June 1, 1938. You state that none of these latter notes was paid that due to the disappearance of the debtor you claimed the full amount of \$500.00 as a bad debt loss in 1939.

Loss is disallowed for the amount claimed in excess of indebtedness represented by the last above mentioned seven \$50.00 notes held by you.

Amount claimed on your return .....	\$ 500.00
Loss allowable (face value of notes) .....	350.00
	<hr/>
Amount disallowed .....	\$ 150.00
	<hr/>

(c) This item represents a decrease in your distribution share of income from Trust No. BH-20,

Bank of America, N. T. & S. A., Beverly Hills, California. Computation of adjustment follows:

Distributive share reported in your return .....	\$ 1,090.62
Distributive share as reported by the trust .....	1,027.02
	<hr/>
Net decrease .....	\$ 63.60
	<hr/>

[19]

## COMPUTATION OF TAX

Net income adjusted .....	\$ 27,958.87
Less:	
Personal exemption .....	\$ 625.00
Credit for dependent .....	400.00
	<hr/>
Balance (surtax net income) .....	\$ 26,933.87
Less:	
Earned income credit	
(10 percent of \$14,000.00) .....	1,400.00
	<hr/>
Net income subject to normal tax .....	\$ 25,533.87
	<hr/>
Normal tax at 4 percent on .....	\$25,533.87
Surtax on .....	\$26,933.87
(Amount in excess of \$4,000.00) .....	2,417.44
	<hr/>
Correct income tax liability .....	\$ 3,438.79
Income tax assessed:	
Original, account No. 203881—	
First California District .....	\$2,915.78
Additional, account No. 519024—	
8-22-41 list .....	19.60
	<hr/>
Deficiency of income tax .....	\$ 503.41
	<hr/>

[Endorsed]: U.S.B.T.A. Filed Mar. 11, 1942.

[20]



[Title of Board and Cause.]

Docket No. 110144

### ANSWER

Comes now the Commissioner of Internal Revenue, respondent above named, by his attorney, J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue, and for answer to the petition filed by the above-named petitioner, admits and denies as follows:

1. Admits that the petitioner is an individual and that her return for the period here involved was filed with the Collector for the First District of California; for lack of information denies all other allegations contained in paragraph 1.

2. Admits the allegations contained in paragraph 2 of the petition.

3. Admits the allegations contained in paragraph 3 of the petition.

4. (a) to (h), inclusive. Denies that the determination of tax set forth in the notice of deficiency is based upon errors as alleged in paragraph 4 and subparagraphs (a) to (h), inclusive, thereunder, of the petition. [21]

5. (a) Admits that taxpayer's husband, William R. Wallace, Jr., has maintained his home, domicile, residence and place of business in San Francisco since 1929; that on March 16, 1939, taxpayer and Mr. Wallace were married and have remained so ever since; denies all other allegations contained in subparagraph (a) of paragraph 5 of the petition.

(b)(c)(d)(e) For lack of information and for

other reasons denies all allegations contained in subparagraphs (b), (c), (d) and (e) of paragraph 5 of the petition.

6. Denies generally and specifically each and every allegation in the petition not hereinbefore admitted, qualified or denied.

Wherefore, it is prayed that the Commissioner's determination be approved and the petitioner's appeal denied.

(Signed) J. P. WENCHEL

ALM

Chief Counsel,  
Bureau of Internal Revenue.

Of Counsel:

Alva C. Baird,  
Division Counsel.  
T. M. Mather,  
Arthur L. Murray,  
Special Attorneys,  
Bureau of Internal Revenue.

ALM:emb 4-22-42

[Endorsed]: U.S.B.T.A. Filed April 28, 1942.

[22]



The Tax Court of the United States

Docket Nos. 110143, 110144.

WILLIAM R. WALLACE, JR.,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE

Respondent.

---

INA CLAIRE WALLACE,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

William R. Wallace, Jr., Esq., and

William R. Ray, Esq.,

for the petitioners.

Arthur L. Murray, Esq.,

for the respondent.

MEMORANDUM OPINION

Smith, Judge: These proceedings, consolidated for hearing, involve income tax deficiencies for the year 1939 as follows:

Docket No.	Petitioner	Deficiency
110143	William R. Wallace Jr.	\$558.41
110144	Ina Claire Wallace	503.41

The question in issue in both proceedings is

whether the living expenses of petitioner Ina Claire Wallace, wife of petitioner William R. Wallace, Jr., for a portion of the year 1939 while she was engaged in making a motion picture at Hollywood, California, under contract with Loew's, Inc., are deductible in computing petitioners' taxable income.

Petitioners' returns for the year 1939 were filed with the collector of internal revenue for the first district of California.

Petitioner Ina Claire Wallace, known professionally by her maiden name of Ina Claire, is a well known stage and screen actress. She was married on March 16, 1939, to petitioner William R. Wallace, Jr., an attorney, who was then living at San Francisco, California, where he had been engaged in the practice of law since 1927.

At the time of her marriage Ina Claire Wallace was engaged in making a motion picture at Hollywood, California, under contract with Loew's, Inc. This contract was made in November, 1938. It provided for petitioner's services, in making a single picture, for 34 weeks over a 40-weeks period beginning in November, 1938, and ending in September, 1939, at a salary of \$2,000 per week. Under the contract petitioner was required to remain in the vicinity of Hollywood during the 40-weeks period so as to be available for duty at any and all times.

[23]

Before entering her employment under the contract of November, 1938, and since about 1932, Ina Claire Wallace, then Ina Claire, lived in Connecticut and New York City, devoting most of her work-

ing time to the legitimate stage. From about August, 1932, to April, 1936, she lived at her home in Connecticut. From that time until November, 1938, she lived at the Pierre Hotel in New York City. For a part of that time she reserved an apartment in New York City which she subleased to others and never occupied herself.

The petitioners were married in Salt Lake City, Utah. They spent their honeymoon at La Quinta, California, and then returned to the home of petitioner William R. Wallace, Jr., in San Francisco for a month or six weeks. They talked over the matter of their future residence at the time and agreed to make their permanent home in San Francisco. Petitioner Ina Claire Wallace returned to Hollywood to resume work at the studio about May 1, 1939.

After completion of her picture and the termination of her contract with Loew's, Inc., on September 15, 1939, Ina Claire Wallace returned to San Francisco. She did not give up her career as a professional actress, however, and with the assistance and advice of her husband has since reviewed a great many plays which various authors, producers, and others have submitted to her for approval. She accepted and appeared in one of such plays for two or three months in the summer of 1940. In the fall of that year she began rehearsals in New York City of another play which opened on the road in January, 1941, and later ran in New York City for

two or three months. After this play closed, which was about the middle of April, 1941, she returned again to San Francisco and has lived there, except for occasional trips elsewhere, up to the present time.

During her stay in Hollywood in 1939 she lived at the Beverly Wilshire Hotel for a few weeks and then rented a house for a period of three months. At the expiration of that period she rented another house which she occupied until September 15 when she returned to San Francisco. The rental and her other living costs during that period are the principal items in controversy in these proceedings.

Petitioners filed separate income tax returns for 1939 in which each reported one-half of their combined community income and claimed deductions of one-half of their combined community expenses. The expenses so claimed in each return included one-half of the living expenses of petitioner Ina Claire Wallace during the period of her employment in Hollywood, which amounted in total to \$4,630.33. It is agreed that these expenses consisted of the personal living expenses such as rent, food, etc.

The respondent has disallowed the deductions claimed in petitioners' returns as not being within the deductions allowed by section 23(a) (1) of the Internal Revenue Code. This section of the Code reads as follows:

Sec. 23. Deductions from Gross Income.

In computing net income there shall be allowed as deductions:

## (a) Expenses.— [24]

(1) In General.—All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered; traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

The cases relied upon by the respondent include *Mort L. Bixler*, 5 B.T.A. 1181; *Charles E. Duncan*, 17 B.T.A. 1088; *affd.*, 47 Fed. (2d) 1082; *George W. Lindsay*, 34 B.T.A. 840, and *Walter M. Priddy*, 43 B.T.A. 18. We held in *Walter M. Priddy*, *supra*, that the living expenses of the taxpayer for a portion of the taxable year when he was required to be away from his permanent home and his family were not deductible. In our opinion we said:

The dispute centers around the location of *Priddy's* "home" as that term is used in section 23 (a) of the Revenue Acts of 1934 and 1936. In *Mort L. Bixler*, 5 B.T.A. 1181, we said that a taxpayer's "home", as that term was used in the statute, was his "place of business, employment, or the post or station at which he is employed." We held that a taxpayer may not keep his place of residence at a



point where he is not engaged in carrying on a trade or business and take a deduction for his living expenses while away from such residence or deduct traveling expenses for trips between his place of business and such residence. That case has been consistently followed. *Charles E. Duncan*, 17 B.T.A. 1088; *affd.*, 47 Fed. (2d) 1082; *Jennie A. Peters*, 19 B.T.A. 901; and *George W. Lindsay*, 34 B.T.A. 840.

The facts here show that Priddy's "home", as that term is used in the applicable revenue acts, was at Tyler, Texas, which was his principal place of business and the place where his employment by the Sabine Royalty Corporation necessitated the maintenance of regular living quarters. He was not away from his "home" in the pursuit of a trade or business while he was in Tyler and he is not entitled to deduct the cost of meals and lodgings incurred and paid while he remained in that city. The same is true with respect to the expenses ascribed to the automobile trips made to Wichita Falls for the purpose of visiting his family over week ends.

In *William Lee Tracy*, 39 B.T.A. 578, we held that expenses of the taxpayer for meals and lodging while employed as an actor in making motion pictures in California were personal living expenses and therefore not deductible as traveling expenses under section 23 (a) of the Revenue Act of 1934.

[25]

We think that the present proceedings are controlled by those cases and other cases therein discussed.

We do not think that it can be said that petitioner Ina Claire Wallace was traveling in pursuit of a trade or business during the period when she was engaged in making the picture at Hollywood. The contract of her employment required her to be in the vicinity of Hollywood and subject to call at any time. She was free to make her home there for the duration of her employment, as we think she did.

Petitioners contend, and we think correctly, that after their marriage San Francisco was the domicile or legal residence of both petitioners. However, as we have pointed out in the cases cited above, section 23 (a) is not concerned with legal residence. It refers to the taxpayer's "home," which we have construed to mean the taxpayer's "place of business, employment, or the post or station at which he is employed." *Mort L. Bixler, supra*. There can be no doubt under the facts here presented that Hollywood was the place of business, employment, or the post or station at which Ina Claire Wallace was employed during the portion of 1939 when the living expenses in question were incurred.

We do not think that our question here is in any manner affected by the community property laws of the State of California as petitioners argue in their briefs. No question has been raised by the respondent with respect to the treatment of the earnings of either of the petitioners as community income, nor as to the petitioners' right to the deduction in computing such community income of any amounts properly allowable under the statute. The fact that

San Francisco was the legal residence of petitioners and likewise of the marital community has no bearing on our question.

On the facts shown we think that the respondent has properly disallowed the deduction of the amounts in controversy.

Decision will be entered for the respondent.

Entered: May 7, 1943. [26]

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The Tax Court of the United States  
Washington

Docket No. 110143

WILLIAM R. WALLACE, JR.,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,  
Respondent.

### DECISION

Pursuant to the determination of the Court, as set forth in its Memorandum Opinion entered May 7, 1943, it is Ordered and Decided: That there is a deficiency in income tax for the calendar year 1939 in the amount of \$558.41.

Entered May 7 1943.

(Seal)(Signed) CHARLES P. SMITH

Judge. [27]



The Tax Court of the United States  
Washington

Docket No. 110144

INA CLAIRE WALLACE,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,  
Respondent.

DECISION

Pursuant to the determination of the Court, as set forth in its Memorandum Opinion entered May 7, 1943, it is Ordered and Decided: That there is a deficiency in income tax for the calendar year 1939 in the amount of \$503.41.

Entered May 7 1943.

(Seal) (Signed) CHARLES P. SMITH

Judge. [28]

The Tax Court of the United States  
Washington, D. C.

Docket No. 110143

WILLIAM R. WALLACE, JR.,

Appellant

v.

COMMISSIONER OF INTERNAL REVENUE,

Appellee

### PETITION FOR REVIEW

Appellant files this his petition for review by the United States Circuit Court of Appeals for the 9th Circuit of the decision of the above entitled court rendered May 7, 1943.

Appellant filed with the Collector of Internal Revenue in San Francisco, California, his income tax return for the calendar year 1939. Said Collector's office is within the 9th Circuit of the United States Circuit Court of Appeal.

This matter is a companion matter with the matter of Ina Claire Wallace vs. Commissioner of Internal Revenue Docket No. 110144 in which a petition for review is being filed this day. The controversy involves an assessment of a deficiency income tax for the calendar year 1939 in the amount of \$558.41. The question in issue in this proceeding and in the companion proceeding above referred to is whether the living expenses of Ina Claire Wallace wife of Appellant herein for a portion of the year 1939 while she was engaged in making a motion picture in Hollywood, California under con-

tract with Loew's Inc. are deductible in [29] computing Appellant's taxable income. In his return for the year 1939 Appellant took as a deduction one-half of said living expenses of his wife Ina Claire Wallace incurred in Hollywood after the date of the marriage of Appellant and said Ina Claire Wallace in 1939 and after said Appellant and said wife had established their residence and home in the city and county of San Francisco State of California. Appellee has not questioned the correctness of the amount deducted by Appellant in deductible at all, nor has Appellee questioned the right of Appellant to deduct one half of deductible living expenses under the laws of California relating to community property deductions and under the Provisions of the Internal Revenue Code relating to Income Tax. Appellee disallowed the deduction claimed in Appellant's return as not being within the deductions allowed by Section 23(a) (1) of the Internal Revenue Code. Appellant claims that his wife Ina Claire Wallace was traveling in pursuit of a trade or business during the period when she was engaged in making the picture at Hollywood. Appellee denies this and the Tax Court of the United States by its decision of May 7, 1943, sustains the denial of Appellee. Appellant contends that even though his wife Ina Claire Wallace sojourned in Hollywood during the period involved that fact did not preclude Appellant from claiming as a proper deduction one-half of her living expenses while in Hollywood since it is admitted by the Appellee that this Appellant did not make

his home in Hollywood, California but at all times lived and made his home in the city and county of San Francisco.

Respectfully submitted,  
(Signed) WILLIAM R. RAY  
Attorney for Appellant.

[Endorsed]: T.C.U.S. Filed Aug. 4, 1943. [30-31]

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The Tax Court of the United States  
Washington, D. C.

Docket No. 110144

INA CLAIRE WALLACE,

Appellant

v.

COMMISSIONER OF INTERNAL REVENUE,  
Appellee

### PETITION FOR REVIEW

Appellant files this her petition for review by the United States Circuit Court of Appeals for the 9th Circuit of the decision of the above entitled court rendered May 7, 1943.

Appellant filed with the Collector of Internal Revenue in San Francisco, California, her income tax return for the calendar year 1939. Said Collector's office is within the 9th Circuit of the United States Circuit Court of Appeal.

This matter is a companion matter with the matter of William R. Wallace, Jr., vs. Commissioner of Internal Revenue Docket No. 110143 in which a

petition for review is being filed this day. The controversy involves an assessment of a deficiency in income for the calendar year 1939 in the amount of \$503.41. The question in issue in this proceeding and in the companion proceeding above referred to is whether the living expenses of the Appellant for a portion of the year 1939 while she was engaged in making a motion picture in Hollywood, California under contract with Loew's Inc. and after the date of her marriage to Wil- [32] liam R. Wallace Jr., a resident of and maintaining a home in San Francisco, California are deductible under Section 23(a) (1) in computing Appellants taxable income.

In her return for the year 1939 Appellant took as a deduction one-half of her living expenses incurred in Hollywood after the date of her marriage to William R. Wallace Jr., and after Appellant and said William R. Wallace Jr., had established a home in the City and County of San Francisco, (the other one-half of said expenses and one-half of the income were reported in the return of William R. Wallace Jr., and are the subject of controversy in the matter of William R. Wallace Jr., vs. Commissioner).

Appellee has not questioned the correctness of the amount deducted by Appellant, if deductible at all. Appellee disallowed the deduction claimed in return as not being within the deductions allowed by Section 23 (a) (1) of Internal Revenue Code. Appellant claims that while in Hollywood and during the period involved she was traveling in pursuit of a trade or business. Appellee denies this and the

Tax Court of the United States by its decision rendered May 7, 1943, sustains the denial of Appellee.

Respectfully submitted,

(Signed) WILLIAM R. WALLACE JR.,  
Attorney for Appellant.

[Endorsed]: T.C.U.S. Filed Aug. 4, 1943.

[33-34]

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The Tax Court of the United States

Docket No. 110143

In the Matter of:

WILLIAM R. WALLACE, JR.,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,  
Respondent.

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Docket No. 110144

In the Matter of:

INA CLAIRE WALLACE,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,  
Respondent.

REPORTER'S MINUTES

Hearing at Federal Court Room No. 401, Civic



Auditorium, San Francisco, California, on the 1st day of February, 1943, at 11:15 o'clock A.M.

The above-entitled proceedings came on for hearing on this 1st day of February, 1943, before the Honorable Charles P. Smith, Judge, the Tax Court of the United States, [37] San Francisco, California, pursuant to notice of hearing heretofore given, whereupon the following proceedings were had, to-wit:

### APPEARANCES:

William R. Wallace, Jr. and W. R. Ray (310 Sansome Street, San Francisco, California) appearing on behalf of the Petitioners.

Arthur L. Murray, (Honorable J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue,) appearing on behalf of the Commissioner of Internal Revenue, Respondent.) [38]

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### PROCEEDINGS

Judge Smith: We will take up Docket Nos. 110143, William R. Wallace, Jr., and 110144, Ina Claire Wallace.

Mr. Wallace: If your Honor please, in these matters I should first like to move the association of Mr. W. R. Ray as counsel in place of R. P. Norton, who is counsel of record. Mr. Norton has entered the Navy and I ask that Mr. Ray take his place.



Judge Smith: That request is granted.

OPENING STATEMENT OF WILLIAM R.  
WALLACE, ATTORNEY FOR PETITIONERS

Mr. Wallace: In this matter, your Honor, we have taken the deposition of the petitioner Ina Claire Wallace and, except for some testimony that I will have to give as the other petitioner, there will be no other testimony.

This matter involved is deduction of expenses while the petitioner, Ina Claire Wallace, who is an actress, was engaged in the making of a motion picture in Los Angeles. There is no dispute as to the amount of any of the deductions. The sole question is as to the propriety of the deductions under the statute. The respondent's position is that they were personal expenses incurred while she had what might be called a business residence in Los Angeles. Our position is that they were expenses incurred while away from home while engaged in a business or profession. [39]

The case differs, your Honor, from the run-of-the-mill cases of this kind in this respect: It is, so far as I know, and I think Mr. Murray will agree so far as he knows, the first time that the question of the effect of the California Community Property Law on this question of deductions for expenses has arisen, and so that your Honor may see the significance of the testimony both in the deposition and the testimony that I will later give, I just point out the fact that under the community property statute of the State of California both spouses have a pres-

ent equal and existing interest in the community property and that the community property is under the control and management of the husband. In other words, the income of the wife as community income is part of the community property and is under the control and management of the husband. It is a point that we are raising here that, so far as I know, has not heretofore been raised in any of these deduction cases that I have been able to find.

I just want to make that much of a statement so that your Honor would appreciate that most of the testimony we have here given and practically the only denials in the government's answer to the petition are residence denials. The important question here is the question of residence.

I may also say in that connection that our California statute on residence is clear and specific. It [40] says (1) that you can only have one residence and that the residence of the wife is the residence of the husband.

I may just recite another factor, too, that is undisputed. I, one of the petitioners, am a lawyer who lives in San Francisco and have lived here many years and have maintained my residence and business here. The petitioner Ina Claire Wallace and I were married during the taxable year of March 16, 1939. That is the reason for testimony as to residence prior and residence after that date.

I think, Mr. Murray, with respect of the deposition of the petitioner Ina Claire Wallace the original has been filed.

Mr. Murray: May I say a word for the respondent before we get into that?

Mr. Wallace: All right, sir.

OPENING STATEMENT OF ARTHUR L.  
MURRAY, ATTORNEY FOR RESPONDENT

Mr. Murray: It is respondent's position, if your Honor please, that Miss Claire had entered into a contract to spend a certain time, something near to a year, in Los Angeles before she became married to Mr. Wallace or before she had even intended to, and that she had come from New York to do so. It is the respondent's position that the Board has already held that a person may have a business [41] residence as distinguished from a home residence for the purpose of deducting business expenses. There are cases that the Board has decided, which I will cite in my brief, with respect to that. It is the respondent's position, further, that the marriage to Mr. Wallace didn't change that at all and that the facts will show that it didn't change that situation, and that, on the contrary, they will show that Mrs. Wallace's business residence from November, 1938 until some time in September, 1939, was Los Angeles and that her personal living expenses, which these are—rent, food, and so on, as has been stipulated in the deposition—were not deductible as business deductions either by herself or by her husband.

One thing to clarify the record a little bit. The returns will show that Mr. and Mrs. Wallace di-

vided these living expenses of Mrs. Wallace at Los Angeles just as they divided certain of her income for the period after their marriage, which was in March, 1939, until she left Los Angeles in September, 1939. That is why both petitioners are here, because they have divided what the respondent claims are personal living expenses of Mrs. Wallace from the time they were married until the end of her contract in Los Angeles, and they have each taken half of that total deduction. That's what brings both parties here.

Mr. Wallace: If your Honor please, in this matter [42] the deposition of the petitioner Ina Claire Wallace was taken on oral stipulation. Counsel for the petitioners and counsel for the respondent——

Mr. Murray: I am agreeing that the Court's rule against notice, and so forth, may be waived, if it please your Honor to do so, with respect to this and that the deposition be accepted subject to one objection that I made here, which I would like to ask your Honor to take under consideration and rule on. Then it is agreeable to both parties, if it is to your Honor, that the deposition may be accepted as it is.

Judge Smith: What is the objection?

Mr. Murray: On page 3 of the deposition counsel for the petitioner asked this question of Mrs. Wallace, and I am quoting: "After your marriage on March 16, 1939, will you state where you actually resided during the balance of that year?"

And I made the following objection there: "I

would like to object to this as calling for a conclusion of the witness."

Now, it is true that as she answered the question, I don't know that she ever answered that direct question, but I wanted to call your Honor's attention to the fact that that was calling for a conclusion of this issue that is before the Board and to the extent that she answered it [43] as such my objection goes.

Judge Smith: Well, wasn't that all cleared up on your cross examination as to what she meant by that?

Mr. Murray: I think it was, if your Honor please, but I wanted the record to show that I had registered the objection to the conclusion. It is my impression that your Honor will disregard the conclusion anyway, perhaps, but I wanted to be on record as calling your attention to it.

Mr. Wallace: I may say in that connection, your Honor, it was not my intent to in any way attempt to bind the respondent by a conclusion and in the next question I so framed the question. The particular question to which the objection was made was not answered. I then asked and put in these words "in other words, what cities or places you were in." I was attempting to fix here what we may call her geographical location during that period and I will stipulate that, so far as any conclusion of the witness is concerned as to the legal meaning of the residence——

Judge Smith: Well, that wouldn't bind the Board anyway. The objection is overruled.



Mr. Murray: O. K.

Judge Smith: Do you want to note an exception?

Mr. Murray: An exception, yes.

Judge Smith: An exception is noted.

Mr. Wallace: In connection with the deposition, [44] your Honor, there was introduced and it should have been made a part of the record of the deposition a photostatic copy of the written agreement between the petitioner Ina Claire Wallace and Loew's, Inc. I ask leave to file the exhibit with the court. It should have been attached to the deposition, but by reason of the fact that it took so long to get it photostated we agreed to bring it here this morning and let it be attached.

Mr. Murray: No objection. We read into the stipulation that we were withdrawing it to photostat it and then we would introduce it here. It may be introduced as an exhibit, if your Honor please.

Mr. Wallace: It should be marked as Petitioner's Exhibit A. It is so referred to in the deposition, and in order to create no confusion I think that——

Judge Smith: It would create less confusion if we simply receive it as Petitioner's Exhibit 1 at this time. It will be marked Petitioner's Exhibit 1 and received in evidence.

(Photostatic copy of contract referred to marked Petitioner's Exhibit No. 1 and received in evidence.)

## PETITIONER'S EXHIBIT No. 1

New York, November 18th, 1938.

Miss Ina Claire,  
New York, New York.

Dear Miss Claire:

Coincident with the execution of your contract with Loews, Inc. dated November 18th, and in modification thereof, it is understood as follows:

First: Re Paragraphs "1" and "3":

The date "November 22, 1938" contained in the above paragraph is to be changed to read "November 23, 1938".

Second: Re Paragraph "13":

Your obligation "to furnish all modern wardrobe and wearing apparel" shall be limited to include only such wardrobe and wearing apparel of which you may be possessed or may in the future acquire as part of your regular wardrobe and wearing apparel.

Third: Re Paragraph "17":

In lieu of the words "with a copy to Lyons & Lyons Agency, Hollywood, California" insert the words "with a copy to you, c/o Lyons & Lyons Agency, Hollywood, California, or such other address as you may designate to us in writing."

Fourth: Re Paragraph "18":

The following shall be added to the first sentence thereof:

"It is understood and agreed that the phrase "completion of services" as herein provided shall be construed as completion of your services in actual shooting only and shall not include services in connection with retakes and/or changes."



## Petitioners Exhibit No. 1—(Continued)

Fifth: Re: Paragraph "23":

The word "hereinafter" contained on line 3 shall be changed to read "hereinabove".

Sixth: Paragraph "25" is to be eliminated in its entirety and in lieu thereof the following provision is to be inserted:

"During your stage year, the following is the procedure as to our right of recall: You are to notify us when you have obtained a role or if you are available for recall by reason of your having abandoned your intention of obtaining any role. In any event, if you do not so obtain a role within ninety (90) days from the time you leave our studios for such stage year, you shall be deemed available for recall. If you are available for recall either by reason of having abandoned your intention of obtaining a role or by reason of having failed to obtain a role within said ninety (90) day period, then we have the option thereafter in that stage year (October 1st to October 1st) to recall you (i.e. again to take your services) by giving you at least one week's prior written notice, which must be given not later than thirty (30) days after the date you are available, so to return to us, at a date set forth in said notice, which date in such notice  
than

must not be later/sixty (60) days from the date you are so available, and you agree so to return to us and continue your services with us for the full remainder of such stageyear. If we do not exercise this option, it does not effect our right to

## Petitioners Exhibit No. 1—(Continued)

go on with your services for the next picture year, for which we have exercised the option.

If within ninety (90) days as above provided, you so obtain a role in a stage play and so notify us, then you agree to give us as early notice as practical, of the date your services in this play will end, and such notice must be given to us in any event not later than two (2) days after you receive your notice advising you of the date of the closing of such play, and then we have the option during the remainder of such a stage year to recall your services at a date therein to be set by us in such notice, which date shall not be earlier than one (1) week after the date you have so informed us your services in the play will end, and not later than sixty (60) days after your giving us notice of your availability as aforesaid.

Anything herein to the contrary notwithstanding, it is understood that if the said play in which you may appear should close, and you shall have given notice of your availability, you shall have the right, within two (2) weeks from the date of the giving of said initial notice in which to give a second notice setting forth the name of the proposed second play in which you intend appearing and enclose with said second notice a copy of the proposed script of said second play. You shall then have the right to appear in said second play and should you appear in said second play, your obligation to give notice of the closing thereof, and our right to recall you upon the closing thereof shall be the same

## Petitioners Exhibit No. 1—(Continued)

as hereinabove provided in connection with the first play. It is understood, however, that we shall have the right to recall you despite the giving of such second notice if we, in good faith, disapprove the script of such contemplated second play on the ground that your performance in such second play would be prejudicial to your stage and/or motion picture career, by written notice sent by us to you within one (1) week after receipt of your second notice and script as aforesaid, but it is understood that we may not disapprove said second script and recall you merely because we desire to have you render services to us.

If we do not exercise our right to recall you after the closing of your first play, it is understood that you shall be free to accept any other stage engagements throughout the remainder of such stage year and that we shall not be entitled to your services throughout the balance of such stage year.

Seventh: Re Paragraph "28".

The above paragraph is to be amended by deleting the period at the end of said paragraph and inserting the following: "Provided all 'shots' taken of you in said picture are eliminated before the release thereof."

Eighth: Re Paragraph "31".

After the word "years" on the tenth line thereof, add the words "for which you have been recalled."

Also, add the word "to" on the first line of this paragraph after the words "in addition".

## Petitioners Exhibit No. 1—(Continued)

Except as hereinabove modified, the aforesaid agreement between us of even date shall remain in full force and effect.

If the foregoing meets with your understanding, kindly sign and return a copy of this letter and same shall constitute our binding agreement.

Very truly yours,

LOEW'S INCORPORATED

By (Signature illegible)

Vice-President

Accepted and Approved:

INA CLAIRE

New York, November 18, 1938.

Miss Ina Claire

New York City

Dear Miss Claire:

1. We now engage your exclusive services commencing upon your arrival at our studios in Culver City, California, which you agree will be November 22, 1938, and continuing until and including September 30, 1939. You assure us you have no obligations to others preventing you from entering into and fully carrying out the terms of this agreement.

2. The services generally which you agree to render us are acting, posing, dancing and singing, talking and rendering sound effects, vocal and instrumental, for recording and reproduction, as a motion picture actor for motion pictures of vari-

## Petitioners Exhibit No. 1—(Continued)

ous types, as well as any other present or future kind of motion picture productions, including sound, silent, talking, musical and televised motion pictures, and such other services are now or may from time to time hereafter be performed by our other actors.

3. For these services and the rights herein granted we will pay you, and you agree to accept in full therefor, compensation at the rate of Two Thousand (\$2,000.00) Dollars per week for each week you shall actually have rendered services to us hereunder as, when and wherever required by us. Any compensation due you hereunder shall be payable on Saturday of each week for services rendered up to and including the Wednesday preceding. During the above term, we guarantee you compensation at the above rate for 40/52 of the above period (November 22, 1938, and to October 1, 1939 and may lay you off without pay for an aggregate of not exceeding the remaining weeks of the term; and similarly for each optional term (if any) hereunder granted us in paragraph "16" we so guarantee you your stated salary for a period of aggregate of periods of not less than forty weeks for each twelve months term for which an option is exercised hereunder, and may lay you off without pay for an aggregate of not exceeding the remaining weeks of each such term, and subject to each such minimum guarantee you shall be deemed to be laid off without pay when you are not actually appearing in a pic-



## Petitioners Exhibit No. 1—(Continued)

ture or rendering any of your other required services under this contract. This guarantee is subject to your always being ready, willing and able to perform your services herein provided, and in the event of any suspension of this agreement or elimination of compensation as herein provided, we may reduce this guarantee by an equivalent period. During such layoffs you need not report at our studios.

4. You agree to comply with our reasonable studio regulations and render such services under our direction and in roles selected by us and to the best of your ability and wherever required by us, and you agree not to render any services to others, and not to write, act or appear for your own benefit in connection with any dramatic performances or entertainment during your employment with us or while we have options on your services which we may exercise, except you agree that we may lend your services to others in any capacity in which you are required to render services hereunder (and with the same incidental advertising and other rights in connection therewith as we have hereunder), and you agree to render same to the best of your ability. Any breach of this agreement by such others shall not be considered as to us a breach of or ground for termination of this agreement so long as we pay you your compensation named herein as it becomes due, which payments we always agree to make as herein provided, but nevertheless in the event of any breach by any other to

## Petitioners Exhibit No. 1—(Continued)

whom your services are loaned by us, then as to the particular services which may be loaned, you shall be released from the obligations to render further services to such other person, firm or corporation.

5. If we request, you will also render your services to us hereunder in the recording, broadcasting and/or transmission of your likeness, voice and/or other sound effects by television, and/or by other electrical or mechanical means, your services of such nature to be rendered both in or in connection with the production or presentation of our motion pictures and the publicity thereof, whether or not the same be in connection with any kind of present or future motion pictures. You agree to render your services to us as an actor in television productions. In addition to the right to your exclusive services hereunder, we shall always own all rights of every kind and character, now or hereafter known, including copyright and its renewal and extension, in and to all products or results of any services of any kind or nature you render to us, and we shall likewise have the perpetual right to use your name, voice and likeness in connection therewith, as well as in connection with the advertising thereof. You also grant us the right and authority, to use and distribute and to authorize and license others to use and distribute your name, photographs and other reproductions of your likeness and of your voice, for any advertising or commercial purposes, including use in connection with the



## Petitioners Exhibit No. 1—(Continued)

products and business of others unconnected with motion pictures, and regardless of whether or not any such authorized use constituted exploitation of yourself or of any of our photoplays; and it is agreed that the right and authority hereby granted by you shall be exclusively vested in us and in our licensees during the term of this agreement, including its optional periods, and for such term and periods you agree not to authorize or permit others to make any such use of your name, testimonials or photographs, and we may in your name restrain and/or prosecute others for any such use not so authorized by us; and it is further agreed that commencing upon the expiration of the term of this agreement, including its optional periods, and continuing thereafter during the distribution life of any photoplays in which you shall have appeared for us during said term and periods, we may use and authorize and license others to use such rights granted us but such use during such latter period shall be non-exclusive. You confirm in us full right to adapt, change, take from, add to, and use and treat in every way any and all products of your services to us. We may "double" or "dub" your roles and your acts, poses, plays and appearances, and/or your voice sound effects and recordings both in English and other languages.

6. You agree that your conduct during the term hereof will be such that it will not contravene public conventions or morals; and that during such period you will not commit any act tending to degrade

## Petitioners Exhibit No. 1—(Continued)

you in society or bring you under public denouncement or into public contempt or ridicule or tending to shock or offend the community or prejudice us or the motion picture, theatrical or radio industry in general.

7. We agree that your name will appear on all positive prints of photoplays produced by us in which you appear. The foregoing shall not apply to "trailers" and in any event no inadvertent or casual failure on our part to comply with the provisions of the first sentence of this paragraph shall be deemed to be a breach of this agreement by us.

8. (a) If by reason of mental or physical disability, or for any other reason, you shall be incapacitated from the full performance of this agreement, or if your present facial or physical appearance or voice shall change, or become altered, materially detracting from your appearance on the screen or interfering with your present ability to perform the required services hereunder, thereupon this agreement shall be suspended, both as to services and compensation, during the period thereof, and at our election your current term of employment hereunder may be increased for a period equivalent to the period of such suspension, and if such disability or incapacity continues for an aggregate of over three (3) weeks during any term hereof, we may, at our option, cancel and terminate this agreement. Should we pay you any monies or compensation for or during any part of any suspension period, such may be deducted from any compensation earned

## Petitioners Exhibit No. 1—(Continued)

after such suspension, and any overpayment of any kind will be returned by you upon demand, but this shall not be deemed to limit or exclude any other rights of credit or recovery we otherwise may have.

(b) In event of your failure, refusal or neglect to perform your services hereunder to the full limit of your ability and as instructed by us, or to observe any of your obligations under this agreement, we shall then have at our election, all, or any, or either of the following rights: to terminate this agreement; to eliminate all compensation for and during such period of non-performance, and also, if we elect, to extend your then current term of services for a period equivalent to the period during which such nonperformance shall have continued, and if at or during the time of such failure, refusal or neglect you have been cast in a photoplay or directed to render any other services hereunder, we may (whether or not we so extend your term) also eliminate all compensation to you and in addition may suspend this agreement during the period which reasonably would have been required to complete the portrayal of your said role or to render such other services, and if we elect, may also extend the provisions of this agreement for a like period of time. We shall also have the right, at our option, to extend the term of this agreement for a period of time equivalent to any leave or leaves of absence granted you during the term hereof.

## Petitioners Exhibit No. 1—(Continued)

(c) In the event that at any time during the term hereof we or any person to whom your services are loaned by us should be materially interrupted or interfered with in the preparation, production or completion of photoplays by reason of fire, casualty, accident, riot, war, act of God, strike, lockout, labor conditions, executive or judicial order, enactment of any Municipal, State or Federal ordinance or law, or by any other cause of the same or any similar kind or character, or if by reason of the illness or incapacity of any principal member of the cast (other than yourself) or of the director of any photoplay in which you are rendering or are scheduled to render your services, the production of such photoplay is suspended, interrupted or postponed, or if the majority of the first run motion picture theatres in the United States shall be closed for a week or more, or in the event of any local or national emergency or condition adversely and materially affecting our industry or studios, then the obligations of each may be at our option suspended during the period of such interruption, interference, closing, emergency or condition (and the current term may also be extended by us for a period equivalent to all or any part of any period or periods during which any such event or events shall continue), but if such suspension should continue for a period or aggregate of periods in excess of 12 weeks during any term hereof, then and in that event either party may terminate this agree-



## Petitioners Exhibit No. 1—(Continued)

ment by sending written notice to the other, except that we have a week after the receipt of your notice to us of desire to terminate, to resume payment of your salary from then on, thereby continuing this agreement in full force and effect.

(d) For the period of any suspension and/or elimination of compensation exercised by us, as above provided in (a), (b) or (c), your current term shall be deemed interrupted during such period (but during such period you may not render services to others) and resumed immediately thereafter. If your current term is extended under any provision of this agreement, in each such case dates for exercise of subsequent options and commencement of each subsequent optional term will be postponed accordingly, and if your current term is so extended, it shall continue in each such case after such resumption for a period equal to that portion of said term which was unexpired at the commencement of such suspension or elimination of compensation, unless subsequently extended or terminated for proper cause. In computing compensation to be paid or deducted with respect to any period of less than a week, the weekly rate shall be prorated at the rate of one-sixth of the weekly rate per day.

(e) All the foregoing rights are in addition to (and not in limitation of) any rights we may otherwise have under this agreement or otherwise and each are cumulative and none excludes or limits any right or priority allowed by law or equity.

## Petitioners Exhibit No. 1—(Continued)

(f) No waiver by us of any breach of any covenant or provision of this agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant or provision.

9. Nothing herein contained shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision of this agreement and any material statute, law or ordinance contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provision of this agreement affected shall be curtailed and limited only to the extent necessary to bring it within the legal requirements.

10. It is understood and agreed that the services to be rendered by you hereunder, and the rights and privileges hereunder granted to us by you, are of a special, unique, unusual, extraordinary and intellectual character which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law, and that a breach by you of any of the provisions of this agreement will cause us irreparable injury and damage. Accordingly, you agree that we may have equitable and injunctive relief in the Courts to prevent any breach of this contract on your part, and in your name we may restrain any others from any use of your services, likeness or voice (or announcements to such effect), contrary to the provisions of this agreement. But this provision shall not be

Petitioners Exhibit No. 1—(Continued)  
construed as a waiver of any other rights we may have in the premises for damages or otherwise.

(Sec. 11 eliminated.)

12. We shall have the right at any time and from time to time to have you examined by such physician or physicians as we may designate. Should we desire to obtain insurance of any kind on your life or in connection with your services to us, you agree we may do so for our benefit but at our own cost and expense, and you agree to submit to any medical examination then requested and to execute such applications and instruments therefor as reasonably may be required, but it is agreed that you shall have no rights or interest in or to such insurance or any proceeds thereof.

13. You agree to furnish all modern wardrobe and wearing apparel necessary for any and all roles to be portrayed by you hereunder; it being agreed, however, that in the event so-called "character" or "period" costumes are required, we shall supply the same, but in no event shall we be required to furnish shoes, hosiery, or underclothing, all of which shall be supplied by you for any and all roles to be portrayed by you hereunder. In each case all that is supplied by us remains our property.

14. Your services hereunder are to be rendered at such place or places as may from time to time be designated by us. When you are required to render your services on location (in any place other than Culver City or Los Angeles or their environs), we



## Petitioners Exhibit No. 1—(Continued)

agree to furnish such necessary and reasonable meals and transportation as may reasonably be required for you during and on account of the rendition of such services, and where in our judgment it is necessary for you to remain on such location overnight, we agree to furnish your necessary lodging; but in no event, shall we be obligated to furnish you meals and lodging costing more than \$25. per day for both meals and lodging. In the event we should elect to produce a majority of our photoplays in any other place (either in California or elsewhere) other than Culver City or Los Angeles, then, at our option, the reference in this agreement to Culver City or Los Angeles shall be and be deemed to be a reference to such other place.

15. You agree that until the expiration of the term hereof, you will be available at all times at Los Angeles, California, or at any other place we may designate, unless excused in writing by us. You further agree that if and when requested by us to do so, you will report at our Studio, or at any other place we may designate, for wardrobe fittings, publicity interviews, publicity photograph sittings and for such discussions as we may deem necessary or desirable; it being understood, however, that no compensation whatsoever shall be or become payable to you for the compliance by you with such request by us.

16. In consideration of your present employment by us, you grant us the following separate options

## Petitioners Exhibit No. 1—(Continued)

in the order named to extend the original term of your employment for the following consecutive terms (periods) of further employment below set forth, your employment for each further term where the option therefor is exercised, to be under the same terms and conditions as herein provided, except the rate of compensation per week for each respective term shall be as below designated:

(a) For Twelve (12) months at the rate of \$2500.00 dollars per week.

(b) For Twelve (12) months at the rate of \$3000.00 dollars per week.

(c) For Twelve (12) months at the rate of \$3500.00 dollars per week.

(d) For Twelve (12) months at the rate of \$4000.00 dollars per week.

Such options, or either or any of them, if we elect to exercise the same, must be exercised by us in the order named by written notice to you served as provided in "17" hereof at any time not later than thirty days before the expiration of the preceding term. We may exercise one or more or all of the options in the order named not already exercised, but the exercise by us of any one or more of said options shall not be construed as an election by us not to exercise the remaining options. All options granted us under this agreement for extending the term hereof, other than the options in paragraph "16" hereof specifically set forth, may be exercised by us by notice in writing to be served upon you at any time prior to the expiration of the term hereof.

## Petitioners Exhibit No. 1—(Continued)

17. All notices to you hereunder may be served by service upon you personally, either in writing or unless otherwise specified herein orally, or by sending such to you by mail, cable and/or telegraph (date of mailing, telegraphing or cabling to be date of service) in care of our Culver City Studios or at our election to your address last given us, with a copy to Lyons & Lyons Agency, Hollywood, California.

18. If at the termination of your employment hereunder you are engaged on a particular picture or pictures or other assignment in which your services are not completed, we may nevertheless continue your employment under the same conditions, and at the rate of compensation existing immediately prior to said termination, for such time thereafter as we may desire your services in connection with such picture, pictures or assignment, but not exceeding sixty (60) days. As to retakes and changes not made prior to the expiration of your term or the extension above provided, you agree that you will upon our request (subject always to any prior engagements you then may have) return and make such retakes and changes (photography and/or sound) as we may desire, and we will pay you therefor your transportation both ways, and a rate of compensation while so engaged at our studios equal to the last rate of compensation you were receiving under this agreement, except that such compensation shall be paid only for the days on which you are actually so employed.

## Petitioners Exhibit No. 1—(Continued)

19. You represent and warrant that you have not heretofore assigned all or any part of the compensation payable to you under this contract, and you agree that no assignment by you of all or any part of your compensation under this contract shall be binding upon us unless our written consent to such assignment is first had and obtained, and that you will hold us harmless from liability to others by reason of any purported assignment.

20. We may transfer or assign all or any part of our rights hereunder to any major producer or producer whose pictures receive distribution through a major distributor, and this agreement shall inure to the benefit of ourselves, our successors and assigns.

21. You agree to become a member in good standing of The Screen Actors' Guild, Inc., forthwith upon the execution hereof and to be and remain so for the duration of this agreement.

22. We agree to furnish you transportation and drawing room from New York City to Culver City for yourself and your maid, and if you go to Culver City alone, we agree to furnish your maid with transportation and lower berth at any later date you designate during the present term.

(See Rider)

By signing below under the word "accepted" you

Petitioners Exhibit No. 1—(Continued)

accept this employment and this becomes the final and complete agreement between us.

Yours very truly,

LOEW'S INCORPORATED

By ....[Signature Illegible.]....

Vice-President

Accepted:

INA CLAIRE, L. S.

State of New York

County of New York—ss.

On this 25th day of November, 1938 before me came ....[Illegible].... to me known, who, being by me duly sworn, did depose and say that he resides in the City of New York, that he is a Vice-President of Loew's Incorporated, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation; and that he signed his name thereto by like order.

.....

[Signature illegible.]

State of .....

County of .....—ss.

On this ..... day of ..... before me came ..... to me known, to be the individual described in, and who executed the foregoing instrument, and acknowledged that he executed same.



Petitioners Exhibit No. 1—(Continued)  
Rider to contract dated November 18, 1938,  
between Ina Claire and Loew's Incorporated

23. Anything to the contrary herein contained notwithstanding it is agreed that at the end of the present period of your services, and at the end of each optional twelve month period hereinafter provided for in paragraph "16" hereof where option is exercised, you may, at your election, under the terms and conditions hereinafter provided, call for and take an intervening period of one (1) year as a lay-off under suspension of this agreement to permit your appearance on the spoken stage and for your performances of such radio services as hereinafter permitted, each of which intervening periods shall be classed and is herein referred to, as a stage year. If such stage year is not so taken by you and therefore does not so intervene, then the procedure under this contract shall be as otherwise provided, that is, for illustration, your exclusive services to us for the present period ending October 1, 1939, shall be followed without break by your services for the first optional period (if we exercise our first option by September 1, 1939); and if you do not exercise your right to take the next stage year, i.e., a year after the first optional period, then the second optional year under "16" shall follow, if we exercise that option, and similarly for all later years. But, for illustration, if you elect to take a stage year after the present term, then the year from October 1, 1939 until October 1, 1940, shall be classed as a stage



## Petitioners Exhibit No. 1—(Continued)

year, and your first optional year (if we exercise that option) shall then begin October 1, 1940 in place of October 1, 1939. Your failure to ask for any stage year, does not debar you from asking for the next stage year to which you may be entitled, for you have the right to insert an intervening year, as a stage year, after each picture, and we use the term picture year to mark and distinguish the present term (which is called a picture year though slightly less than full year), and the optional terms of one (1) year each under paragraph "16", from your intervening stage years.

But we may, under the conditions and contingencies herein provided, be entitled to secure your services during a stage year, and in that case such services are in addition to your services to us during the picture years.

To entitle you to any stage year, you must give us written notice requesting such, not later than the first day of August preceding the commencement of the stage year requested, that is, if you should wish to have October 1, 1939 to October 1, 1940 as a stage year, this notice must be given us by August 1, 1939.

It is particularly agreed however, that we always have the right before we release you for a stage year, fully to complete your services upon any motion picture as to which you are then working or cast (and this shall be classed as services in your picture year in which the picture was begun) except we cannot exercise this right of completion unless we

## Petitioners Exhibit No. 1—(Continued)

have begun your services upon that particular picture by September 15th of that year. Subject to the foregoing, we must, after so receiving your notice that you are taking an intervening stage year, arrange to let you leave us at the beginning of your stage year, to wit, by October 1st. To illustrate, if you should notify us August 1, 1939 that you desire to have October 1, 1939 to October 1, 1940 as a stage year, then we must release you on October 1, 1939, except we could hold you over until we had completed your services on any pictures in which your services had begun prior to September 16, 1939. And we can so hold you over regardless of whether we have, or have not, exercised our next optional period (for the next picture year) under paragraph "16".

24. During your picture years (this term including your present term of services), you are to perform no services and make no appearances for any others, your services being exclusive to us during said period. During each of your stage years, you may not perform any services for others, or make any appearances, except as follows: appearances on the spoken stage, but only in the break-in run of a play, in the New York City run thereof, and in its road runs covering the "principal" cities of the United States, that is, those cities known in the theatrical profession as the cities in which first class road companies are accustomed to show, for you are not to appear on the stage in any play in cities other than cities of this class, except in break-in runs.

## Petitioners Exhibit No. 1—(Continued)

You may also, in such stage years (except during the remainder of such a year after you are recalled and employed by us in picture work) give not to exceed six (6) individual broadcasts in each stage year, and by individual broadcasts is meant broadcasts where you are a guest performer and not a regular member of the program, and you may not appear more than twice as such guest performer on any one program in any stage year, provided, you are never to appear on any radio program which publicises any motion picture of any other motion picture company.

25. During your stage year, the following is the procedure as to our right of recall: You are to notify us when you obtain a role, and if you do not so obtain a role and so give us notice thereof that you are available to us within ninety (90) days from the time you leave our Studios for such stage year, then we have the option at any time thereafter in that stage year (October 1st to October 1st) to recall you (i.e. again to take your services) by giving you at least one weeks prior written notice which must be given not later than thirty (30) days after the date you are available, so to return to us, at a date set forth in such notice, which date must not be later than sixty (60) days from the date you are so available, and you agree so then to return to us and continue your services with us for the full remainder of such stage year. If we do not exercise this option, it does not effect our right to go on with your

Petitioners Exhibit No. 1—(Continued)  
services for the next picture year, for which we have exercised option.

If within the ninety (90) day period above provided, you so obtain a role in a stage play and so notify us, then you agree to give us as early notice as practical, of the date your services in this play will end, and such notice must be given to us in any event not later than two (2) days after you receive your notice advising you of the date of closing of such play, and then we have the option during the remainder of such stage year, to recall your services at a date therein to be set by us in such notice, which date shall not be earlier than one week after the date you have so informed us your services in the play will end, and not later than sixty (60) days after our giving you said notice of recall.

26. Upon your return to us in a stage year by reason of our exercising either of the above options during such stage year (i.e. your failing to obtain a role within ninety (90) days, or by reason of the closing of a play in which you appear before the end of that stage year), then we have your services under the terms of this contract, for the remainder of your stage year, and these services shall be in addition to and not affect our rights to your services (if we exercise options) under the optional periods (picture years) for the full periods of twelve (12) months each and at the rate of compensation therein provided. Beginning with your return to us in such a stage year, we then must pay you for your services



## Petitioners Exhibit No. 1—(Continued)

to us hereunder for the remainder of such stage year (provided, of course, that we have had your services for the full period of the preceding picture year, and there are no defaults on your part or inability to perform which would entitle us to your additional services at the prior rate of compensation, for in such cases we can use you at the former rate for a period corresponding to such default or disability) at the same rate as is provided for in your next picture year, and provided you keep your obligations and are ready, able and willing to so render your services to us, we then guarantee you compensation for the remainder of your stage year (at this rate) for 40/52 of the said remaining period of your said stage year. For illustration, should you render your services fully during the present term but take as a stage year, October 1, 1939 to October 1, 1940, and we (having a right so to do) recall you as of April 1, 1940, we must pay you at the rate of Twenty-five hundred (\$2500) Dollars per week, for your services rendered between April 1, 1940 and October 1, 1940, and we guarantee you for this six (6) months period a total twenty (20) weeks compensation, but could lay you off without pay for the remaining weeks, or use you for some or all of the remaining weeks for this same rate of compensation. In the illustration above, you then could not take as a stage year October 1, 1940 to October 1, 1941, for that would be reserved to us as your first optional period (picture year).

## Petitioners Exhibit No. 1—(Continued)

27. You agree that you will not in any event enter into any commitments, or contracts for your services to others, for or during any stage years, which could prevent your return to us at the end of that stage year, (i.e. October 1st), as in every instance we have absolute right to your services for a full picture year immediately upon the conclusion of any stage year and you agree in any event and without notice to report at our studios ready, able and willing to perform your services on October 1st of each picture year as to which we have exercised our option.

28. It is understood and agreed that we may not use you hereunder in more than five (5) motion pictures during any year, October 1st to October 1st, (stage or picture year), a picture to count in the year in which your actual services therein begin, for by this we mean we are not to begin your actual services in more than five (5) pictures (foreign versions of a picture are included as part of the picture and shall not be deemed separate pictures) in any year (October 1st to October 1st), except that if we begin your actual services in a picture, and you are taken out within two (2) weeks after you so begin your services, said picture is not to count as one of the five (5) pictures in which you have rendered your services.

29. The following shall supplement printed "5" hereof: If we request, you will also render your services to us hereunder in the recording, broadcasting and/or transmission of your likeness, voice



## Petitioners Exhibit No. 1—(Continued)

and/or other sound effects by radio, but it is agreed that you shall be required so to broadcast only once with respect to or on a program for the publicity of any photoplay in which you shall appear, and we may not compel you to broadcast otherwise for us, and each broadcast shall be from the place or vicinity where you shall be at the time. It is further agreed that nothing contained in said paragraph "5" hereof, shall prevent the use of your name and likeness by yourself or others in connection with stage productions or radio performances in which you appear in your stage years as permitted herein, or in connection with dress designing permitted under "36" hereof.

30. It is understood and agreed that during each stage year, if you elect to take same, this agreement is in every way extended and every period, term and provision pertaining to the time element is correspondingly postponed, and during each such stage year you are, of course, to receive no compensation from us, except if we recall and employ you as above provided.

31. In addition any other provisions of restriction herein, so long as your services are engaged under your options to us or otherwise hereunder, or we have options which we may still exercise, it is understood and agreed that you will not at any time, either for yourself or for others, perform any services of any kind in or in connection with motion pictures or television, for your said motion picture

Petitioners Exhibit No. 1—(Continued)  
and television services are to be exclusive to us, and as to the present term and the periods under which you are actually engaged to us under the options, or for remainders of stage years, your employment and services are exclusive to us in every respect.

32. With respect to each of your picture years (including the present period) we agree that you will receive at least one lay-off of at least six (6) consecutive weeks, provided, however, that we may recall you during such or any lay-off period, for retakes and added scenes, and further provided, however, that if you have not had such a six weeks lay-off in a picture year, and there remains insufficient time at its end to lay you off for a period of at least six (6) consecutive weeks, we may in such case comply with the above by laying you off for the remaining unexpired balance of such term, even though such unexpired balance is less than six (6) weeks, but in such case, if you do not take a stage year and a picture year immediately follows, your lay-off is to continue into that next picture year sufficiently to give you your full six (6) weeks of lay-off.

33. In connection with printed paragraph "7", it is agreed that you are to receive first featured female billing on all positive prints of photoplays produced by us in which you appear. And you are to have similar billing on all printed advertising issued by us of photoplays in which you so appear if any other featured players are therein billed. You understand we may advertise or publicize a picture in which you appear, merely by name, or may mention

## Petitioners Exhibit No. 1—(Continued)

only the name of the picture, or the name and the stars and/or director and may omit your billing on such advertising if we do not mention any other featured players. If at the commencement of your services hereunder you appear in the motion picture photoplay, now tentatively entitled "I Take This Woman", we agree in this particular instance only, to give you such featured billing on the positive prints and advertising issued by us of such photoplay which will be at least seventy-five percent (75%) in height of type of that of the type we use to bill on such prints our stars Spencer Tracy or Hedy LaMarr.

34. If this contract is suspended or we refuse (with legal right so to do) to pay you compensation pursuant to any right we may have under said contract or by law, by reason of your failure, refusal or neglect to perform the terms and conditions of this contract on your part to be performed, then we shall have the right, at our option, to extend the period of employment during which suspension and/or refusal to pay occurs for a period of time equivalent to the duration of the suspension and/or of the refusal to pay, which right may be exercised by us in notice in writing served upon you not later than one week after the expiration of such suspension or refusal to pay. Should we exercise the foregoing right of extension, then the running of the period of employment concerned shall be deemed to have been interrupted during the period of the suspension or refusal to pay because of which the extension is made

## Petitioners Exhibit No. 1—(Continued)

and to have been resumed immediately upon the expiration of such suspension, or upon the resumption of payment of compensation, and to continue from and after the date of such resumption for a period equal to the unexpired portion of the term of period concerned at the time of the commencement of such suspension or refusal to pay, subject to subsequent extension or termination for proper cause. In the event of such suspension or extension by reason of your failure or refusal or neglect to perform the terms and conditions of the terms of this contract on your part to be performed, you now agree to waive the dates of the picture and stage years so that we may have the right to extend such for a period equal to such suspension and/or refusal to pay compensation, and similarly the dates for the exercise of any subsequent options and the dates for commencement of any period or periods of employment following the period extended shall be postponed accordingly. In the event of your failure, refusal or neglect to return to our Studios for your services herein after we have given you notice recalling you during any stage year, in addition to any other rights we may have hereunder, or in law or in equity, we shall have, at our election, either the right to terminate this agreement, or require you to perform your services for the next two (2) picture years consecutively, in which case, by reason of such default you agree to give up your next following right to take a stage year and in such case



## Petitioners Exhibit No. 1—(Continued)

(without limiting any of the foregoing) dates of exercise of our options are postponed accordingly.

If any suspension is caused by any reason other than your wilful failure, or your refusal or your neglect, then such suspension shall not affect the (October 1-October 1) periods, except that if we are entitled to any extension of period by reason thereof, you agree to cut short your next following stage year, so that we may have your services before the end of such stage year for a period prior to the beginning of the next picture year, equal to such suspension or extension, and at the same rate of compensation as you received during the period during which such suspension occurred.

35. It is agreed that if on or after October 1, 1940, we deem it necessary or advisable that you execute a new agreement of employment with us on the same terms and conditions as herein provided, commencing as of date of such new contract and providing for the balance of the continuance (and options) of this contract, you now hereby agree to execute such new agreement. And in any event, you agree that your failure, neglect or refusal to execute such new agreement shall not affect our right to your services under this agreement for the full period and as and when required by us.

36. You may, notwithstanding anything herein contained, and at all times, continue to render your services as heretofore in the use of your name and likeness in connection with the designing of gowns, hats, gloves, bags, shoes and ensembles for the better class department and specialty stores throughout

Petitioners Exhibit No. 1—(Continued)  
the United States, which are now featured in some of the Fifth Avenue shops as “Ina Claire Ensembles”, and any compensation or royalties you may receive therefrom is to be solely yours, provided, however, that you now agree that you will use your best efforts to see to it that hereafter your name in connection therewith shall be accompanied by appropriate mention of your employment with us or your being a featured player or star of Metro-Goldwyn-Mayer, and in connection therewith to co-operate with our Publicity Department, and in no event shall your name or likeness be used in connection with the product of any other motion picture company or any other motion pictures. We agree not to use your name or likeness in any connection with any product competitive with those named in the publicity of pictures in which you appear, without your prior written consent.

LOEW'S INCORPORATED

By ....[Signature Illegible.]....

Vice President

INA CLAIRE (L.S.)

(INA CLAIRE)

[Endorsed]: T.C.U.S. Filed Feb. 1, 1943.

---

Judge Smith: I understand that you are offering the entire deposition in evidence. That includes both the direct and cross examination? [45]



Mr. Wallace: That is correct, your Honor.

Judge Smith: The deposition is received in evidence.

[Printer's Note: Deposition of Ina Claire Wallace is set out at page 102 of this printed record.]

Mr. Wallace: May I be sworn?

Whereupon,

WILLIAM R. WALLACE, JR.

was called as a witness for and on behalf of the petitioners, and having been first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Ray:

Q. Please state your full name, please, Mr. Wallace.

A. William R. Wallace, Jr.

Q. And you are the petitioner in one of the matters now before this court?      A. I am.

Q. Will you state, Mr. Wallace, how long you have lived in the State of California?

A. Since 1927.

Q. And during that period of time what has been your occupation?

A. I have been a lawyer in the City and County of San Francisco.

Q. During that period of time have you at all times [46] filed your income tax returns from the State of California as a resident of that State?

A. I have.

(Testimony of William R. Wallace, Jr.)

Q. During the year 1939 you were married, were you, Mr. Wallace?      A. I was.

Q. Will you state the date, please?

A. March 16, 1939.

Q. And where were you married?

A. In Salt Lake City, Utah.

Q. When did you return to the City and County of San Francisco following your marriage, Mr. Wallace?

A. About the 1st of April.

Q. And following the 1st of April, 1939 where did you live in the City and County of San Francisco?

A. Well, for a period of about two weeks we lived at the Fairmont Hotel.

Mr. Murray: If your Honor please, I object to that as being non-responsive. I understand the question to be "Where did you live?" and he is saying where "we lived."

A. (continuing) I will amend the answer. I misunderstood the question. I lived at the Fairmont Hotel.

By Mr. Ray:

Q. Did Mrs. Wallace live at the Fairmont Hotel during that time, Mr. Wallace? [47]

A. She did, yes.

Q. And then following that period?

A. Then I had an apartment at the Cathedral Apartments, an apartment I had had for many years.

(Testimony of William R. Wallace, Jr.)

Q. And did Mrs. Wallace reside there for any time?      A. She did.

Q. How much of the time that you lived there did she reside there?

A. She resided there until about the 1st of May.

Mr. Murray: If your Honor please——

By Mr. Ray:

Q. And after you left the Cathedral Apartments where did you live?

A. Well, I continued to live at the Cathedral Apartments until the 1st day of September, 1939, at which time I took a house at 1350 Jones Street in the City and County of San Francisco.

Q. And how long did you maintain that?

A. At that house for about a year and a half.

Q. So that during the entire taxable year 1939 you maintained living quarters in the City and County of San Francisco, is that correct?

A. That is correct.

Q. And will you state during what period of the time after your marriage on March 16, 1939, until the end of the [48] taxable year 1939 Mrs. Wallace was physically present in the City and County of San Francisco, if you can?

A. Well, we arrived here about the 1st of April. She was here throughout that month. She went back to Los Angeles about the 1st of May. She remained there until about the 1st of July. She was here most of the month of July and then returned to Los Angeles. She then returned here again about the 15th of September and remained here almost all the bal-

(Testimony of William R. Wallace, Jr.)

ance of the year. I think we left here and went east about the 15th of December, as I recall it.

Q. During that period of time you engaged in the practice of law in San Francisco?

A. That is correct.

Q. During that period of time, Mr. Wallace, 1939, did you have any connection with the work of Mrs. Wallace and her work as a movie actress?

A. Yes.

Q. Will you state what that was, please?

A. Well, during that period there were a number of questions arose in connection with her employment. The ones in which I had any part were the ones that had anything to do with the request on the part of Loew's, Inc. that she do three motion pictures; discussed whether or not she should do those pictures, and decided that she should not. I consulted with her or she with me and we talked and discussed [49] the matter with her motion picture agent, and so on. That is all that I had to do with the matter until after September. Then after the contract was over and Mrs. Wallace returned here there were a number of other offers to do other motion pictures, which we discussed and did not accept, and then there was another request from Loew's, Inc. to re-do a picture which had previously been made, and that also we discussed and finally decided not to do. Then after September 15th, which was the end of the motion picture business, a good many stage plays are read and discussed, talked to the various people who had sent them out,

(Testimony of William R. Wallace, Jr.)

who were then engaged in the business of trying to arrange for a play as distinguished from a motion picture for that theatrical season.

Q. At the time of your marriage in March, 1939, were you familiar with the contract that Mrs. Wallace had with Loew's, Inc?

A. Well, I was familiar with it in the sense that I had read it over and had discussed the matter with her agent.

Q. You are a lawyer, are you, Mr. Wallace?

A. That is correct.

Q. And have been practicing, I believe you stated, in California for a number of years?

A. That's right. [50]

Q. In your examination of that contract and in your opinion as to that contract as a lawyer, was Mrs. Wallace on March 16, 1939, bound by the terms of that contract to perform certain obligations for Loew's, Inc.?

Mr. Murray: I object to that, if your Honor please, as calling for a conclusion of the issue that the Court has to decide.

Judge Smith: The objection is sustained.

By Mr. Ray:

Q. You filed an income tax return for 1939, did you, Mr. Wallace?

A. I did, yes.

Q. And Mrs. Wallace filed a separate income tax return for that same year?

A. That's correct.



(Testimony of William R. Wallace, Jr.)

Q. In your income tax for that year what income did you include?

A. Well, I included my separate income and I included the one-half of the community income.

Q. And when you say "one-half of the community income" you are referring to the earnings of you and Mrs. Wallace during your marriage, each of you; is that correct?

A. That's right. Both of us. We took the community income as a total and the community expenses as a total, took the community expenses from the community income and [51] returned one-half of the balance on each return.

Q. In other words, you took into consideration in your return the 1939—

Mr. Murray: If your Honor please, I object to this leading so much. For one thing, the returns are available here in court and they will speak for what they contain. I object to the leading.

Judge Smith: I don't see that that is leading. The objection is overruled.

By Mr. Ray:

Q. When you prepared your return, Mr. Wallace, you intended to take one-half of the expenses which are now at issue before this court, is that correct?

A. I intended and did take them on my return.

Q. And in taking that deduction you examined those expenses, did you?

A. That's correct.



(Testimony of William R. Wallace, Jr.)

Q. And in taking the expenses you took them as necessary expenses from Mrs. Wallace?

Mr. Murray: I object to that as calling for the conclusion of the witness.

Mr. Ray: Well, if your Honor please, I may have framed the question improperly. I simply want to show by this witness that they were expenses that were necessary wherever her residence was, whether here or there, as a [52] part of her operations as a movie actress, in his opinion.

Judge Smith: Well, I think the objection is well taken. I will sustain that one.

By Mr. Ray:

Q. Following September, 1939, which I believe you stated was the termination of Mrs. Wallace's contract, did she have any other theatrical or movie commitments during that year?

A. None, no.

Mr. Ray: I believe that's all.

Judge Smith: Cross examination.

#### Cross Examination

By Mr. Murray:

Q. Mr. Wallace, the expenses that we are speaking of here, the nature of which has been stipulated, of course, those were the expenses of Mrs. Wallace at Beverly Hills or Hollywood or both, wherever she was during the period from your marriage until the termination of the contract only; is that right?

A. Well, there were no expenses after September 15th. I take it that is the point.

(Testimony of William R. Wallace, Jr.)

Q. No, no. I was really getting at what expenses she may have had before that time.

A. I am sorry, Mr. Murray. I didn't understand.

Q. The deduction here in question, which has in effect [53] been divided by Mrs. Wallace and yourself on the returns, has been for her living expenses in southern California for the period from March 16th, the date of your marriage, until the time she returned from there in September?

A. That is right. I think that is right, Mr. Murray. I think a mistake was made in not taking the expenses prior to March 16.

Q. Yes. No expenses were taken from January 1 to March 15th?

A. No expenses were taken from January 1 to March 15th. I think that was a mistake.

Mr. Murray: I think that is all.

Judge Smith: Any redirect examination?

Mr. Ray: No.

(Witness excused).

Mr. Murray: If your Honor please, I offer as respondent's Exhibit A the Federal Income Tax return of William R. Wallace, Jr. for the year 1939; the original return.

Judge Smith: That will be marked Respondent's Exhibit A and received in evidence.

(Federal Income Tax Return for year 1939 marked Respondent's Exhibit A and received in evidence.)

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FORM 1040-10  
 Single Individual  
 Federal Income Tax

# UNITED STATES INDIVIDUAL INCOME TAX RETURN 1939

FOR NET INCOMES OF MORE THAN \$5,000 FROM SALARIES, WAGES,  
 DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM  
 OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1939

or fiscal year beginning Jan. 1, 1939, and ended Jan. 1, 1940

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the third month following the close of your taxable year

PRINT NAME AND ADDRESS PLAINLY. (See Instructions C)

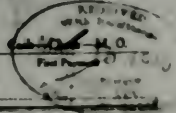
WILLIAM B. WALLACE, JR.

Williamson & Wallace, 310 Sansome Street,

San Francisco, California

(Do not put these figures)  
 Tax 2999  
 Total 203880

142451



INCOME			
1. Salaries and other compensation for personal services. (From Schedule A)		\$21,937	00
2. Dividends		146	50
3. Interest on bank deposits, notes, mortgages, etc.			
4. Interest on corporation bonds			
5. Taxable interest on Government obligations, etc. (From Schedule B)			
6. Income (or loss) from partnerships, grafts, etc., pools, etc. (other than capital gains or losses). (From Schedule C)			
7. The Conn. Co. o Walker Bank & Trust Co., Salt Lake City, Utah; Walker Bank & Trust Co., same address (J.M. Wallace et al account)		17,321	46
8. Rents and royalties. (From Schedule D)			
9. Income (or loss) from business or profession. (From Schedule E)			
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule F)			
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F)			
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)			
11. Other income (including income from annuities) (From Schedule H)			
12. Total income in items 1 to 11. (Other taxable income in Schedule H)			\$39,406 04
DEDUCTIONS			
13. Contributions paid. (Schedule B, Schedule H)			
14. Interest. (Schedule B, Schedule H)			
15. Taxes. (Schedule B, Schedule H)			
16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Schedule B, Schedule H)			
17. Bad debts. (Schedule B, Schedule H)			
18. Other deductions authorized by law. (Schedule B, Schedule H)			
19. Total deductions in items 13 to 18.			166 33
20. Net income (Item 12 minus item 19).			\$39,239 71

COMPUTATION OF TAX			
21. Net income (Item 20 above)	\$39,239	71	
22. Less: Personal exemption.			
(From Schedule J-1)	\$2,125		
23. Credit for dependents. (From Schedule J-2)			
24. Balance (before net income).	\$36,414	71	
25. Less: Income on Government obligations, etc. (From Schedule B)	12	30	
26. Excess income available. (From Schedule B-1 & B-2)	1400	00	
27. Balance added to personal tax.	\$5,002	41	
28. Normal tax (4% of item 27)			\$1,800 84
29. Surtax on item 24. (See Instructions 29)			4,307 09
30. Total (Item 28 plus item 29)			\$5,707 93
31. Total tax (Item 30, or if you had a net long-term capital gain or loss, enter line 14, Schedule F)			
32. Less: Income tax paid at source.			9 17
33. Balance of tax (Item 31 minus item 32 and 39).			\$5,698 76

NOTE—One form marked "DUPLICATE COPY" must be filed with this original return (It will be assessed if duplicate copy is not filed)

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Page 8

**Schedule A.—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)**

1. Name and address of employer and nature of income	2. Amount	3. Expenses (deduct)	4. Amount
	\$		\$
See attached sheet			
Total of column 2 minus total of column 4 (enter as item 1, page 1)			\$

**Schedule B.—INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction 6)**

1. Obligations or securities	2. Amount owned at end of year including your proportionate share of such obligations held by estate, trust, partnership, or common trust funds	3. Interest received or accrued during the year	4. Interest exempt from taxation	5. Interest on amount in excess of exemption
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions	\$ 12,750.00	\$ 455.73	All	
(b) Obligations issued under Federal Farm Loan Act, or under such Act as amended			All	
(c) Obligations of United States issued on or before September 1, 1917			All	
(d) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness			All	
(e) United States Savings Bonds and Treasury Bonds		50.40	50.40	XXXXX
(f) Obligations of instrumentalities of the United States (other than obligations to be reported in (b) above)			None	
(g) Total (enter as item 5, page 1)				\$

**Schedule C.—INCOME FROM RENTS AND ROYALTIES. (See Instruction 8)**

1. Kind of property	2. Amount	3. Depreciation (explain in Schedule E)	4. Royalties (explain below)	5. Other expenses (explain below)	6. Net profit (combine 2 minus sum of columns 3, 4, and 5) (enter as item 8, page 1)
	\$	\$	\$	\$	\$

Explanation of deductions claimed in columns 4 and 5

**Schedule D.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See Instruction 9)**

(State business name and address if different from name and address on page 1)		
1. Total receipts (state nature of business or profession)		\$
<b>COST OF GOODS SOLD</b>		
2. Labor	\$	
3. Material and supplies		
4. Merchandise bought for sale		
5. Other costs (itemize below)		
6. Plus inventory at beginning of year		
7. Total (lines 2 to 6)	\$	
8. Less inventory at end of year		
9. Net cost of goods sold (line 7 minus line 8)	\$	
If the production, manufacture, purchase and sale of merchandise is an income-producing factor, inventories are required. Enter "C," "U," or "M," on lines 6 and 8 to indicate whether inventories are valued at cost, or cost or market, whichever is lower.		
<b>OTHER BUSINESS DEDUCTIONS</b>		
10. Salaries not included as "Labor" (do not deduct compensation for yourself)	\$	
11. Interest on business indebtedness		
12. Taxes on business and business property		
13. Losses (explain below)		
14. Bad debts arising from sales or services		
15. Depreciation, obsolescence, and depletion (explain in Schedule E)		
16. Rent, repairs, and other expenses (itemize below or on separate sheet)		
17. Total (lines 10 to 16)	\$	
18. Total deductions (line 9 plus line 17)		
19. Net profit (or loss) (line 1 minus line 18) (enter as item 9, page 1)		\$

Explanation of deductions claimed in lines 5, 13, and 16

**Schedule E.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES C, D, F, AND G**

1. Kind of property (if buildings, state material of which constructed)	2. Date acquired	3. Cost or other basis	4. Assets fully depreciated in use at end of year	5. Depreciation claimed (or allowable) in prior years	6. Remaining cost or other basis to be recovered	7. Estimated life used in computing depreciation	8. Estimated remaining life from beginning of year	9. Depreciation allowable this year
		\$	\$	\$	\$			\$





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**Schedule F.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS. (See Instruction 14)**

1. Kind of property (If summary sheet, state asset or description; details not shown below)	2. Date acquired Mo. Day Year	3. Date sold Mo. Day Year	4. Gross sales price (contract price)	5. Cost or other basis	6. Expenses of sale and cost of improvements (or other) (see instructions on page 1, 1913)	7. Depreciation allowed (or other) (see instructions on page 1, 1913) (attach to Schedule E)	8. Gain or loss (columns 4 plus column 6 minus column 5 and 7)	9. Gain or loss to be taken into account	10. Amount
<b>SHORT-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD NOT MORE THAN 12 MONTHS</b>									
			\$	\$	\$	\$		100	\$
								100	
								100	
								100	
Total net short-term capital gain or loss (enter in line 1, column 3, of summary below)									\$
<b>LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD FOR MORE THAN 12 MONTHS BUT NOT FOR MORE THAN 36 MONTHS</b>									
			\$	\$	\$	\$		66%	\$
								66%	
								66%	
								66%	
Total net long-term capital gain or loss (enter in line 2, column 3, of summary below)									\$
<b>LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD FOR MORE THAN 36 MONTHS</b>									
			\$	\$	\$	\$		50	
								50	
								50	
								50	
Total net long-term capital gain or loss (enter in line 2, column 3, of summary below)									\$

**SUMMARY OF CAPITAL NET GAINS OR LOSSES**

1. Classification	2. Net short-term capital gain or loss (enter on line 10 (a), page 1, amount of gain shown in column 3)	3. Net gain or loss to be taken into account from column 10, above	4. Net gain or loss to be taken into account from participating and common trust funds	5. Total net gain or loss to be taken into account in columns 2, 3, and 4 of this summary	6. No net loss allowable (see Instruction 29)	
	Gain	Loss	Gain	Loss	Gain	Loss
1. Total net short-term capital gain or loss (enter on line 10 (a), page 1, amount of gain shown in column 3)	\$	\$	\$	\$	\$	\$
2. Total net long-term capital gain or loss (enter on line 10 (b), page 1, amount of gain or loss shown in column 3)	\$	\$	\$	\$	\$	\$

State the family, fiduciary, or business relationship to you, if any, of purchaser of any of the above items:  
 If any of the above items were acquired by you other than by purchase, explain fully how acquired:

**COMPUTATION OF ALTERNATIVE TAX**

(To be used only in the case of a net long-term capital gain or loss)

1. Net income (line 20, page 1). (See Instruction 19)	\$	10. Normal tax (4% of line 9)	\$
2. (a) Net long-term capital gain (line 10 (b), page 1)	\$	11. Surtax on line 6. (See Instruction 29)	\$
(b) Net long-term capital loss (line 10 (c), page 1)	\$	12. Partial tax (line 10 plus line 11)	\$
3. Ordinary net income (line 1 minus line 2 (a) or line 1 plus line 2 (b)). (See Instruction 19)	\$	13. (a) 30% of net long-term capital gain (30% of line 2 (a))	\$
4. Less: Personal exemption. (From Schedule J-1)	\$	(b) 30% of net long-term capital loss (30% of line 2 (b))	\$
5. Credit for dependents. (From Schedule J-2)	\$	14. Alternative tax (line 12 plus line 13 (a) or line 12 minus line 13 (b))	\$
6. Balance (surtax net income)	\$	15. Total normal tax and surtax (line 10, page 1)	\$
7. Less: Interest on Government obligations, etc. (See Instruction 25)	\$	16. Tax liability (if a net long-term capital gain, on line 2 (a), enter line 14 or line 15, whichever is the lesser; if a net long-term capital loss, on line 2 (b), enter line 14 or line 15, whichever is the greater). (Enter on item 31, page 1)	\$
8. Earned income credit. (From Schedule K-1 or K-2). (See line 19)	\$		
9. Balance subject to normal tax	\$		

**Schedule G.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY OTHER THAN CAPITAL ASSETS (See Instruction 10)**

1. Kind of property	2. Date acquired	3. Gross sales price (contract price)	4. Cost or other basis	5. Expenses of sale and cost of improvements (or other) (see instructions on page 1, 1913)	6. Depreciation allowed (or other) (see instructions on page 1, 1913) (attach to Schedule E)	7. Gain or loss (column 3 plus column 5 minus the sum of columns 4 and 6)
		\$	\$	\$	\$	\$
Total net gain (or loss) (enter as item 10 (c), page 1)						\$

State the family, fiduciary, or business relationship to you, if any, of purchaser of any of the above items:  
 If any of the above items were acquired by you other than by purchase, explain fully how acquired:



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Schedule H.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 13, 14, 15, 16, 17, AND 18

Page 4

1. Item No.	2. Explanation	3. Amount	4. Item No. (Continued)	5. Explanation (Continued)	6. Amount (Continued)
	ATTACHMENT sheet	\$			\$

Schedule I.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See instruction C.)

1. Source of income	2. Nature of income	3. Amount
Share of dividends of fiduciary from share account in Federal Savings & Loan Assn. (included in items 7 and 25)		\$ 12.30

Schedule J.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 23 AND 24. (See instructions 23 and 24)

(1) Personal Exemption			(2) Credit for Dependents		
Status	Number of months during the year in each status	Credit claimed	Name of dependent and relationship	Number of months during the year Under 18 years old Over 18 years old	Credit claimed
Single, or married and not living with husband or wife	9	\$ 250			\$
Married and living with husband or wife	9	1975			
Head of family (explain below)					
Reason for support if over 18 years old					

Schedule K.—COMPUTATION OF EARNED INCOME CREDIT. (See instruction 26)

(1) If your net income is \$9,000 or less, use only this part of schedule	(2) If your net income is more than \$9,000, use only this part of schedule
Net income (item 20, page 1) \$	Earned net income (not more than \$14,000) \$14,000 --
Earned income credit (10% of net income, above)	Net income (item 20, page 1) 32,532 .71
	Earned income credit (10% of earned net income or 10% of net income, above, whichever amount is smaller, but do not enter less than \$300) 1,400 --

QUESTIONS

1. State your principal occupation or profession. Attorney
2. Check whether you are a citizen ☒ or a resident alien ☐.
3. If you filed a return for the preceding year, to which Collector's office was it sent? SAN FRANCISCO, California
4. Are items of income or deductions of both husband and wife included in this return? Yes
5. State (a) Name of husband or wife if separate return was made Ira Claire Wallace
- (b) Personal exemption, if any, claimed thereon \$625.00
- (c) Collector's office to which it was sent SAN FRANCISCO
6. Check whether this return was prepared on the cash ☐ or accrual ☐ basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 501? (Answer "yes" or "no") no (If answer is "yes," attach statement required by instruction J.)

AFFIDAVIT. (See instruction E)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code, as amended, and the regulations issued under authority thereof.

Subscribed and sworn to before me this 12th day of March, 1940

Clayton B. Lawrence  
(Signature and title of officer administering oath)  
A return made by an agent must be accompanied by sworn statement. (See instruction E.)  
NOTARY PUBLIC

Richard M. Worley  
(Signature)  
(If this is a joint return (not made by agent), it must be signed by both husband and wife. It must be sworn to before a proper officer by the person preparing the return. If neither or both prepare the return, it must be sworn to by both spouses.)

AFFIDAVIT. (See instruction E)

(If this return was prepared for you by some other person, the following affidavit must be executed)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

Subscribed and sworn to before me this 12th day of March, 1940

Clayton B. Lawrence  
(Signature and title of officer administering oath)  
NOTARY PUBLIC



Richard M. Worley  
(Signature of person preparing the return)  
(Place of date or copy, etc., if any)

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## SCHEDULE A.

Earnings of Mrs. Ina Claire Wallace  
after March 16, 1939, date of her  
marriage:

## Salaries:

Lowes, Inc., M.G.M. Studio .....	\$52,000.00
Commissions on dresses and hats....	248.10

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Total .....\$52,248.10

## Business expenses:

California Unemployment Insurance tax .....	\$ 520.00
Motion Picture Relief Fund .....	260.00
A & S Lyons, agents' commissions	2,600.00
Harold Friedman, agent's commis- sions .....	2,600.00
Howard Reinheimer, attorney, re contracts, etc. ....	1,039.79
Val Horne, secretary .....	327.50
Dorothy Johnson, studio maid .....	625.00
Business stationery and sundries....	80.64
Dues—Screen Actors Guild .....	75.00
American Federation of Ra- dio Artists .....	6.00
Actors Equity .....	10.50
Treatments, massage, reducing, etc. ordered by studio .....	1,327.92
Wardrobe for "Ninotchka" .....	1,018.11
Automobile expenses (1½) .....	277.59
Gifts to Director and Secretary .....	63.93
Household expenses in Los Ange- les .....	4,630.33

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Total expenses ..... 15,462.31

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Net ..... 36,785.79

Community share, Mr. and Mrs.  
Wallace, each ..... 18,392.90

Earnings of Mr. W. H. Wallace, Jr.,  
after March 16, 1939.

Distributive share Williamson & Wal-  
lace, 310 Sansome St. (partner-  
ship) ..... 5,732.44

## Business expenses:

Professional dues .....	31.50
Gertrude Vodvarka, secretary .....	237.50

Total expenses .....	269.00
----------------------	--------

Net .....	5,463.44
-----------	----------

Community share, Mr. and Mrs.

Wallace, each .....	2,731.72
---------------------	----------

Earnings of W. R. Wallace, Jr. prior  
to March 16, 1939Distributive share Williamson & Wal-  
lace .....

\$ 897.56

## Business expense:

Professional dues .....\$ 22.00

Gertrude Vodvarka ..... 62.50 84.50

Net .....	\$ 813.06
-----------	-----------

## SCHEDULE H

## Contributions:

Community Chest of San Francisco 50.00

Taxes paid For Fed.Ret. For State

California, income, for 1938..... 761.10

On club dues ..... 35.10 35.10

On admissions ..... 20.00 20.00

816.20	55.10
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Item 14—Interest on federal income tax 1938.....\$ .13

[Endorsed]: T.C.U.S. Filed Feb. 1, 1943.

Mr. Murray: And as Respondent's Exhibit B, the [54] Federal Income Tax Return of Ina Claire Wallace for the calendar year 1939.

Judge Smith: That will be marked Respondent's Exhibit B and received in evidence.

(Federal Income Tax Return referred to marked Respondent's Exhibit B and received in evidence.)

2793

UNITED STATES

Page 1

# INDIVIDUAL INCOME TAX RETURN 1939

INCOME OF MORE THAN \$1,000 FROM SALARIES, WAGES, INTEREST, DIVIDENDS, ANNUITIES, AND FOR INCOME FROM OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1939

and year beginning JAN. 1, 1939, and ending JAN. 1, 1940

Indicate the day of the month of the year for which the return is filed by placing the day of the month in the space provided below the year.

FILE HERE AND ADDRESS MAIL TO: (See Instructions on back)

**CLAYNE WALLACE**

**WILLIAM A. WALLACE, 310 SARGENT ST., San Francisco, California**

(Do not use these spaces)

**2995**

**203881**

**72895**

**15 1940**

1. Salaries and other compensation for personal services. (From Schedule A)	25,259	48
2. Dividends	90	00
3. Interest on bank deposits, notes, mortgages, etc.	823	38
4. Interest on corporation bonds		
5. Taxable interest on Government obligations, etc. (From Schedule B)		
6. Income (or loss) from partnerships, syndicates, pools, etc. (other than capital gains or losses). (From Schedule C)		
7. Income from fiduciaries. (From Schedule D)		
8. Income from <u>Bank of America, N.T. &amp; S. A., Formerly Hills Main Office, Beverly Hills, Cal.</u>	1,090	62
9. Income (or loss) from business or profession. (From Schedule E)	11	15
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule F)		
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F)		
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)		
11. Other income (including income from annuities) (From Schedule H)	92	97
12. Total income in items 1 to 11. (Enter taxable income in Schedule I)		\$ 27,367 60
<b>DEDUCTIONS</b>		
13. Contributions paid. (Schedule to Schedule J)		
14. Interest. (Schedule to Schedule J)	96	50
15. Taxes. (Schedule to Schedule J)	3	44
16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Schedule to Schedule J)	1,010	36
17. Bad debts. (Schedule to Schedule J)		
18. Other deductions authorized by law. (Schedule to Schedule J)	7.00	00
19. Total deductions in items 13 to 18		1,810 30
20. Net income (Item 12 minus item 19)		\$ 25,557 30

COMPUTATION OF TAX

21. Net income (Item 20 above)	\$ 25,557 30	28. Normal tax (4% of item 27)	\$ 925 29
22. Less: Personal exemption. (From Schedule J-1)	\$ 625 00	29. Surtax on item 24. (See Instructions 27)	1,990 49
23. Credit for dependents. (From Schedule J-2)	400 00	30. Total (Item 28 plus item 29)	\$ 2,915 78
24. Balance (surtax net income)	\$ 24,532 30	31. Total tax (Item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F)	
25. Less: Interest on Government obligations, etc. (See Instructions 25)		32. Less: Income tax paid at source	
26. Earned income credit. (From Schedule K-1 or K-2)	1,400 00	33. Income tax paid to a foreign country on U.S. payments (Attach Form 176)	
27. Balance subject to normal tax	\$ 23,132 30	34. Balance of tax (Item 31 minus items 32 and 33)	\$ 2,915 78

NOTE—One form marked "DUPLICATE COPY" must be filed with this original return (35 will be assessed if duplicate copy is not filed)

1-1





Indebted, A.—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See instruction 1)

1. Name and address of employer and nature of business	2. Amount	3. Expenses (Detailed)	4. Amount
ONE ATTACHED SHEET			

of column 3 minus total of column 4 (enter as item 1, page 7)

**Schedule B—INTEREST ON GOVERNMENT OBLIGATIONS, ETC.** (See instruction G)

1. Obligation or certificate	2. Amount owned as of year including your presentments class of such obligation held by nation, trustee, partnership, or common trust funds	3. Interest received or accrued during the past	4. Interest earned from taxation	5. Interest on amount in excess of exemption
U.S. Bonds of U.S. Treasury, or political subdivision thereof, or the State of Columbia, or United States possessions.	1. 15,000	595 70	All	none
U.S. Bonds issued under Federal Farm Loan Act, or under such Act amended.			All	none
U.S. Bonds of United States issued on or before September 1, 1917.			All	none
U.S. Bonds, Treasury Bills, and Treasury Certificates of Indebtedness.	1,000	32 06	All	32.06 none
U.S. Bonds, Treasury Bonds and Treasury Receipts.			Name	none
U.S. Bonds of Insurrectionaries of the United States (other than those to be reported in (2) above).				none

## Schedule C—INCOME FROM RENTS AND ROYALTIES. (See instruction 8)

1. Kind of property	2. Amount	3. Description (explain in Schedule E)	4. Register (explain below)	5. Other expenses (explain below)	6. Net profit (columns 2 minus sum of columns 4, 5, and 6) (enter on line 6, page 1)
one attached photo	1	1	1	1	1

Number of deductions  
in columns 4 and 5

## Schedule D.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See instruction 1)

business and address if different from name and address on page 1			
<b>TOTAL SALES (state nature of business or profession)</b> <b>COST OF GOODS SOLD</b>		<b>OTHER BUSINESS DEDUCTIONS</b>	
1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____ 7. _____ 8. _____ 9. _____ 10. _____ 11. _____ 12. _____ 13. _____ 14. _____ 15. _____ 16. _____ 17. _____ 18. _____ 19. _____ 20. _____ 21. _____ 22. _____ 23. _____ 24. _____ 25. _____ 26. _____ 27. _____ 28. _____ 29. _____ 30. _____ 31. _____ 32. _____ 33. _____ 34. _____ 35. _____ 36. _____ 37. _____ 38. _____ 39. _____ 40. _____ 41. _____ 42. _____ 43. _____ 44. _____ 45. _____ 46. _____ 47. _____ 48. _____ 49. _____ 50. _____ 51. _____ 52. _____ 53. _____ 54. _____ 55. _____ 56. _____ 57. _____ 58. _____ 59. _____ 60. _____ 61. _____ 62. _____ 63. _____ 64. _____ 65. _____ 66. _____ 67. _____ 68. _____ 69. _____ 70. _____ 71. _____ 72. _____ 73. _____ 74. _____ 75. _____ 76. _____ 77. _____ 78. _____ 79. _____ 80. _____ 81. _____ 82. _____ 83. _____ 84. _____ 85. _____ 86. _____ 87. _____ 88. _____ 89. _____ 90. _____ 91. _____ 92. _____ 93. _____ 94. _____ 95. _____ 96. _____ 97. _____ 98. _____ 99. _____ 100. _____	1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____ 7. _____ 8. _____ 9. _____ 10. _____ 11. _____ 12. _____ 13. _____ 14. _____ 15. _____ 16. _____ 17. _____ 18. _____ 19. _____ 20. _____ 21. _____ 22. _____ 23. _____ 24. _____ 25. _____ 26. _____ 27. _____ 28. _____ 29. _____ 30. _____ 31. _____ 32. _____ 33. _____ 34. _____ 35. _____ 36. _____ 37. _____ 38. _____ 39. _____ 40. _____ 41. _____ 42. _____ 43. _____ 44. _____ 45. _____ 46. _____ 47. _____ 48. _____ 49. _____ 50. _____ 51. _____ 52. _____ 53. _____ 54. _____ 55. _____ 56. _____ 57. _____ 58. _____ 59. _____ 60. _____ 61. _____ 62. _____ 63. _____ 64. _____ 65. _____ 66. _____ 67. _____ 68. _____ 69. _____ 70. _____ 71. _____ 72. _____ 73. _____ 74. _____ 75. _____ 76. _____ 77. _____ 78. _____ 79. _____ 80. _____ 81. _____ 82. _____ 83. _____ 84. _____ 85. _____ 86. _____ 87. _____ 88. _____ 89. _____ 90. _____ 91. _____ 92. _____ 93. _____ 94. _____ 95. _____ 96. _____ 97. _____ 98. _____ 99. _____ 100. _____	1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____ 7. _____ 8. _____ 9. _____ 10. _____ 11. _____ 12. _____ 13. _____ 14. _____ 15. _____ 16. _____ 17. _____ 18. _____ 19. _____ 20. _____ 21. _____ 22. _____ 23. _____ 24. _____ 25. _____ 26. _____ 27. _____ 28. _____ 29. _____ 30. _____ 31. _____ 32. _____ 33. _____ 34. _____ 35. _____ 36. _____ 37. _____ 38. _____ 39. _____ 40. _____ 41. _____ 42. _____ 43. _____ 44. _____ 45. _____ 46. _____ 47. _____ 48. _____ 49. _____ 50. _____ 51. _____ 52. _____ 53. _____ 54. _____ 55. _____ 56. _____ 57. _____ 58. _____ 59. _____ 60. _____ 61. _____ 62. _____ 63. _____ 64. _____ 65. _____ 66. _____ 67. _____ 68. _____ 69. _____ 70. _____ 71. _____ 72. _____ 73. _____ 74. _____ 75. _____ 76. _____ 77. _____ 78. _____ 79. _____ 80. _____ 81. _____ 82. _____ 83. _____ 84. _____ 85. _____ 86. _____ 87. _____ 88. _____ 89. _____ 90. _____ 91. _____ 92. _____ 93. _____ 94. _____ 95. _____ 96. _____ 97. _____ 98. _____ 99. _____ 100. _____	1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____ 7. _____ 8. _____ 9. _____ 10. _____ 11. _____ 12. _____ 13. _____ 14. _____ 15. _____ 16. _____ 17. _____ 18. _____ 19. _____ 20. _____ 21. _____ 22. _____ 23. _____ 24. _____ 25. _____ 26. _____ 27. _____ 28. _____ 29. _____ 30. _____ 31. _____ 32. _____ 33. _____ 34. _____ 35. _____ 36. _____ 37. _____ 38. _____ 39. _____ 40. _____ 41. _____ 42. _____ 43. _____ 44. _____ 45. _____ 46. _____ 47. _____ 48. _____ 49. _____ 50. _____ 51. _____ 52. _____ 53. _____ 54. _____ 55. _____ 56. _____ 57. _____ 58. _____ 59. _____ 60. _____ 61. _____ 62. _____ 63. _____ 64. _____ 65. _____ 66. _____ 67. _____ 68. _____ 69. _____ 70. _____ 71. _____ 72. _____ 73. _____ 74. _____ 75. _____ 76. _____ 77. _____ 78. _____ 79. _____ 80. _____ 81. _____ 82. _____ 83. _____ 84. _____ 85. _____ 86. _____ 87. _____ 88. _____ 89. _____ 90. _____ 91. _____ 92. _____ 93. _____ 94. _____ 95. _____ 96. _____ 97. _____ 98. _____ 99. _____ 

## Schedule E-EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES C, D, F, AND G

[illegible]





## Schedule H.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 11, 15, 16, 17, AND 18

Page 4

See attached sheets

## Schedule I.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See Instruction G)

1. Source of income

2. Nature of income

3. Amount

## Schedule J.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 22 AND 23. (See Instructions 22 and 23)

## (1) Personal Exemption

## (2) Credit for Dependents

Status

Number of months during the year in such status

Credits claimed

Place of dependency and relationship

Number of months during the year  
Under 18 years old  
Over 18 years old

Credits claimed

Single, or married and not living with husband or wife

\$

Mrs. C. B. Claire,  
mother

\$

12

400

--

Married and living with husband or wife

0

none

Head of family (explain below)

3

\$625.00

Maintains home for mother

Reason for support  
if over 18 years old Aged - only support

## Schedule K.—COMPUTATION OF EARNED INCOME CREDIT. (See Instruction 25)

(1) If your net income is \$3,000 or less, use only this part of schedule

(2) If your net income is more than \$3,000, use only this part of schedule

Net income (Item 20, page 1)

\$

Earned net income (not more than \$14,000)

\$ 14,000

--

Earned income credit (10% of net income, above)

\$

Net income (Item 20, page 1)

\$ 25,557

30

Earned income credit (10% of earned net income or 10% of net income, above, whichever amount is smaller, but do not enter less than \$300)

\$ 1,400

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## QUESTIONS

1. State your principal occupation or profession **Address**
2. Check whether you are a citizen ☒ or a resident alien ☐
3. If you filed a return for the preceding year, to which Collector's office was it sent? **San Francisco**
4. Are items of income or deductions of both husband and wife included in this return? **yes**
5. State (a) Name of husband or wife if separate return was made **William H. Wallace, Jr.**

- (b) Personal exemption, if any, claimed thereon **\$2,125.00**
- (c) Collector's office to which it was sent **San Francisco**
6. Check whether this return was prepared on the cash ☒ or accrual ☐ basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 501? (Answer "yes" or "no") **no** (If answer is "yes," attach statement required by instruction J.)

## AFFIDAVIT. (See Instruction E)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code, as amended, and the regulations issued under authority thereof.

Subscribed and sworn to by **Wm. H. Wallace, Jr.****Wm. H. Wallace, Jr.**before me this **12th** day of **March**, 1940

(Signature) (See Instruction E)

A return made by an agent must be accompanied by power of attorney. (See Instruction E.)

NOTARY PUBLIC

My Commission Expires **October 29, 1947**

(If this is a joint return (not made by agent), it must be signed by both husband and wife. It must be sworn to before a proper officer by the person preparing the return. If neither or both prepare the return, it must be sworn to by both spouses.)

## AFFIDAVIT. (See Instruction E)

(If this return was prepared for you by some other person, the following affidavit must be executed)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

Subscribed and sworn to before me this **12th** day**Richard H. Norton**

(Signature of person preparing the return)



(Signature and title of officer administering oath)

(Name of firm or company, if any)



[Printer's Note: Page 3 of 1939 Income Tax Return of Ina Claire Wallace is not reproduced, as it is identical with page 3 of the 1939 Income Tax Return of William R. Wallace, Jr. set out at page 89 of this printed record.]

## SCHEDULE A

Earnings of Mrs. Ina Claire Wallace  
after March 16, 1939, date of her  
marriage:

## Salaries:

Loews, Inc., M.G.M. Studio .....	\$52,000.00
Commissions on dresses and hats....	248.10

Total .....	\$52,248.10
-------------	-------------

## Business expenses:

California Unemployment Insurance tax .....	\$ 520.00
--	-----------

Motion Picture Relief Fund .....	260.00
----------------------------------	--------

A & S Lyons, agents' commissions	2,600.00
----------------------------------	----------

Harold Friedman, agent's commis- sions .....	2,600.00
---	----------

Howard Reinheimer, attorney, re contracts, etc. ....	1,039.79
---	----------

Val Horne, secretary .....	327.50
----------------------------	--------

Dorothy Johnson, studio maid .....	625.00
------------------------------------	--------

Business stationery and sundies .....	80.64
---------------------------------------	-------

Dues—Screen Actors Guild .....	75.00
--------------------------------	-------

American Federation of Ra- dio Artists .....	6.00
---	------

Actors Equity .....	10.50
---------------------	-------

Treatments, massage, reducing, etc., ordered by studio .....	1,327.92
---	----------

Wardrobe for "Ninotchka" .....	1,018.11
--------------------------------	----------

Automobile expenses ( $\frac{1}{2}$ ) .....	277.59
---	--------

Gifts to Director and Secretary ....	63.93
--------------------------------------	-------

Household expenses in Los Ange- les .....	4,630.33
--	----------

Total expenses .....	15,462.31
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Net .....	36,785.79
-----------	-----------

Community share, Mr. and Mrs. Wallace, each .....	18,392.90
--	-----------

Earnings of Mr. W. R. Wallace, Jr.  
after March 16, 1939

Distributive share Williamson & Wallace .....	5,732.44
---	----------

Business expenses:

Professional dues .....	31.50
Gertrude Vodvarka, secretary .....	237.50

Total Expenses .....	269.00
----------------------	--------

Net .....	5,463.44
-----------	----------

Community share, Mr. and Mrs. Wallace, each .....	2,731.72
--	----------

Earnings of Mrs. Ina Claire Wallace  
prior to March 16, 1939

Salaries—Loews Inc., M.G.M. Studio	\$ 5,333.33
------------------------------------	-------------

Business expenses:

California Unemployment Insurance Tax .....	53.33
Motion Picture Relief Fund .....	11.67
A & S Lyons, agent's commissions	266.67
Harold Friedman, agent's commis- sion .....	266.67
Val Horne, secretary .....	100.00
Dorothy Johnson, studio maid .....	250.00
Dues—Screen Actors Guild .....	25.00
Treatments, massage, reducing, etc., ordered by studio .....	88.51
Automobile expenses (1/2) .....	136.63

Total expenses .....	1,198.47
----------------------	----------

Net .....	4,134.86
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## SCHEDULE C

Apartment at 3 East 69th St., New York City, under lease to September 1, 1941, with option to renew

Total rental received ..... \$ 4,050.00

## Deductions:

Total rental paid .....\$ 3,600.00

To Mary Michael, cleaning and taking care of rent, etc. .... 42.90

Window Cleaning Co. .... 6.00

To Mary Michael \$10; \$17.50; \$25. 52.00

Brown, Wheelock ..... 75.00

Repairing holes, etc. (Ruby Ross Wood) ..... 21.00

Lilian Kerning—cleaning, etc. .... 27.00

Window cleaning ..... 3.60

Consolidated Edison Co. .... 9.10

N. Y. Telephone Co. .... 9.68

Renofab ..... 5.50

Telegrams to New York ..... 40.70

---

3,892.98

## Improvements, etc.

S. W. Esrig—painter..... 200.00

Arthur J. Lockwood,  
shelving ..... 89.39

N. Y. Tel. Co. extensions.. 48.35

---

337.74

Aliquot portion for 1939 ..... 126.65

Depreciation of own furniture ..... 19.22      4,038.85

---

Net profit ..... \$ 11.15

## SCHEDULE E

Depreciation of property least at New York Apartment

Item	Cost	Date	Depreciation to end of year
Bookcases .....	\$260.00	Oct. 1939	5.20
Carpet .....	686.00	"	13.72
Shades .....	15.30	"	.30
			<hr/> 19.22

## SCHEDULE H

## Contributions paid:

European Film Fund .....	\$ 16.50
Red Cross .....	20.00
Salvation Army .....	10.00
Screen Actors Guild Benefit .....	50.00
Total .....	96.50

## Interest Paid:

On additional assessment Federal Income Taxes for 1937 .....	3.44
--	------

## Taxes Paid:

New York, income for 1938 .....	\$ 884.50
California, " " 1938 .....	125.86
Total .....	\$1,010.36

## Bad Debts:

Mme. Chevet, loaned in 1938 .....	500.00
Mrs. H. H. DeMoll, Washington, D.C. loaned in 1938 .....	200.00
Total .....	\$ 700.00

[Endorsed]: T.C.U.S. Filed Feb. 1, 1943.

Mr. Murray: And may the respondent have permission to have these returns withdrawn in Washington and photostated and replaced with photostatic copies?

Judge Smith: Yes, indeed.

Mr. Murray: That's all.

Mr. Ray: May we have the usual time to file briefs, your Honor.

Judge Smith: Yes. I think probably they had better be filed concurrently. Each party may have until March 20th for the filing of a brief. Briefs

will be served upon opposing counsel and each party may have until April 5th for the filing of reply.

Mr. Murray: If your Honor please, when you say copies will be served on the opposing counsel do you mean by the Board or do you mean by us?

Judge Smith: They will be served by the Board unless you wish to serve them yourselves.

Mr. Murray: Yes. I wanted to point out that the briefs that we write here are not final. When we ship them [55] to Washington they are reviewed. Therefore I couldn't serve them with a copy that I know will be filed.

Judge Smith: The Board will serve them.

Mr. Murray: Yes, all right.

Mr. Wallace: Your Honor, then I suggest this: that I think your Honor has set March 20th as the date for the original briefs and April 5th for the reply. I think that narrow space of time there, with the present mail service, is such that we should probably have a few days after that date.

Judge Smith: All right. I will give you until April 15th for the filing of a reply.

Mr. Wallace: Thank you, your Honor.

(Hearing concluded.)

[Endorsed]: T. C. U. S. Filed Feb. 17, 1943.

[56]

Before the Tax Court of the United States

Docket No. 110143

In the Matter of

WILLIAM R. WALLACE, Jr.,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

and

Docket No. 110144

In the Matter of

INA CLAIRE WALLACE,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

#### DEPOSITION OF INA CLAIRE WALLACE

Pursuant to oral stipulation, and on Tuesday, the 26th day of January, 1943, at the hour of 2:00 o'clock p. m. thereof, at the offices of Williamson & Wallace, Suite 1100, 310 Sansome Street, San Francisco, California, before me, Amy B. Townsend, a Notary Public in and for the City and County of San Francisco, State of California, personally appeared

INA CLAIRE WALLACE [59]

one of the petitioners herein, who, being by me first duly sworn, was thereupon examined and interrogated in said cause.

Appearances:

William R. Wallace, Jr., Esq., 310 Sansome Street, San Francisco, California, appearing on behalf of Petitioners.

Arthur L. Murray, (Honorable J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue), appearing on behalf of the Commissioner of Internal Revenue, Respondent.

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Mr. Wallace: It is understood that Mrs. Wallace is called as a witness for the Petitioners in Docket No. 110143 and Docket No. 110144, which cases have been consolidated for hearing.

Mr. Murray: Yes. Off the record.

(Remarks off the record.)

Mr. Wallace: I will ask the Notary Public to swear the witness.

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INA CLAIRE WALLACE,

being first duly sworn by the Notary Public to tell the truth, the whole truth, and nothing but the truth, was interrogated and testified as follows:



(Deposition of Ina Claire Wallace.)

Direct Examination

By Mr. Wallace:

Q. Mrs. Wallace, you are one of the Petitioners in this matter before the Tax Court of the United States? [60] A. Yes.

Q Were you and the Petitioner, William R. Wallace, Jr., married on the 16th day of March, 1939? A. Yes.

Q. Have you and the Petitioner, William R. Wallace, Jr., ever since been husband and wife?

A. Yes.

Q. Prior to the year 1939 where did you live?

A. New York City.

Mr. Murray: Off the record.

(Remarks off the record.)

By Mr. Wallace:

Q. What is your profession? A. Actress.

Q. Was that your profession during the year 1939? A. Yes.

Q. And had it been for several years prior thereto? A. Yes; several.

Q. In the course of your professional activity you appeared in a large number of plays in various cities in America and in England?

A. Yes.

Q. After your marriage on March 16, 1939, will you state where you actually resided during the balance of that year?

Mr. Murray: I would like to object to that as calling [61] for a conclusion of the issue.

(Deposition of Ina Claire Wallace.)

That is just for the record. Now, you may answer.

By Mr. Wallace:

Q. Start from March 16, 1939, and state where you were actually residing, where you were, in other words, what cities and places you were in during the balance of the year 1939.

A. I lived in San Francisco.

Q. Were you in San Francisco all the time?

A. No.

Q. Will you tell us, starting from March 16, where you were on March 16?

A. I was in Salt Lake City, as I remember.

Q. Then where did you go?

A. Then I went to La Quinta, California, on my honeymoon. Then I came to San Francisco for, I should think, four or six weeks. I don't remember exactly how long I was here.

Q. Then after you had come back to San Francisco where did you next go?

A. Back to Beverly Hills.

Q. About when did you arrive in Beverly Hills?

A. You mean that particular time?

Q. That is right.

A. I should think it must have been around the first of May, as I remember. I was to appear in a picture which had already started. I think the picture started around the first [62] of May. I do not remember exactly what time I got there because I didn't start with the beginning of the picture, didn't start to work with the beginning of the picture.

(Deposition of Ina Claire Wallace.)

Q. Then from the first of May, how long did you remain in Beverly Hills?

A. You mean continuously?

Q. Continuously, yes.

A. I broke it sometime during the taking of the picture and came up to San Francisco for a couple of weeks. I think it was around in July, something like that, in the middle of the taking of the picture. I had a few weeks off and I went up to San Francisco. Then I went back again and stayed until September, about the 15th of September, I should think, because I know I left the house a few days before the end of the lease was up. The contract was up at the same time, just about that period. The 15th of September, I think, was the date.

Q. Did you have a house in Beverly Hills?

A. Yes.

Q. Was that house located at 1711 Tropical Avenue?

A. Yes.

Q. In Beverly Hills?

A. Yes.

Q. After September 15, and until the end of the year, December 31, 1939, where were you?

A. In San Francisco.

Q. Since December 31, 1939, have you lived in San [63] Francisco?

A. Yes.

Q. And you now live in San Francisco?

A. Yes.

Q. Now, after you came to San Francisco in the early part of September, 1939, were you, be-

(Deposition of Ina Claire Wallace.)

tween the period of September and the end of 1939, engaged in any professional activity?

A. You mean was I acting? I wasn't acting.

Q. You were not acting?

A. No. I was reading plays in connection with my professional activity.

Q. Will you explain a little bit more what you were doing in connection with the reading of plays?

A. I don't know quite what you mean. I was reading plays, sending wires, and making long distance telephone calls in connection with them.

Q. Let us assume that the Judge doesn't know anything about the theatrical profession. Will you explain the process of getting a play, that is, what do you do, or what did you do during that period?

A. You just read plays.

Q. Where do your plays come from?

A. New York City.

Q. Who sends them?

A. Agents, managers, authors, friends. [64]

Q. What do you do in connection with them?

A. You read them, then you discuss them, and return them at great expense. They never enclose stamped envelopes for them. You send telegrams, you write letters, you talk and talk and talk, make long distance telephone calls, and what not.

Is that what you want to know?

Q. Yes. Were you in communication with and did you send telegrams and talk on the long distance telephone with theatrical agents and managers in New York during that period?

(Deposition of Ina Claire Wallace.)

A. Yes; certainly.

Q. Did your husband have anything to do with the reading of those plays?

A. Yes, he did.

Q. What did he have to do with it?

A. He read, poor man, and talked and helped a great deal, I must say.

Q. At the time of your marriage—and just answer this question “Yes” or “No”—was there any agreement made between you and your husband as to where you should reside?

A. Was there an agreement made?

Q. Yes.           A. Yes.

Q. What was that agreement—where were you to reside?

A. We were to reside in San Francisco.

Mr. Wallace: Off the record.

(Remarks off the record.) [65]

By Mr. Wallace:

Q. Mrs. Wallace, I think you testified you started making a picture for Loew's, Inc. in Beverly Hills about the first of May, 1939?

A. Yes. I think the picture started just about then. I don't think I started to work for a couple of weeks. I don't know exactly when it was, but I went down there just about that time.

Q. About when did that picture end, the making of that picture?

A. I should think about the last of August or the first of September. I think by the time re-



(Deposition of Ina Claire Wallace.)

takes were taken it went into September, right at the finish of summer. I might have had a week off.

Q. Did you make any other motion picture from the period, March 16 to December 31, 1939?

A. No; just one picture. It is a very fluid business. They never start when they say they are going to start, and they never finish when they think they are going to finish.

Q. Now, coming back to the agreement with Loew's, Inc., during the year 1939 and prior to your marriage did you make any other picture?

A. I did make a picture, but it never was finished.

Q. Will you explain a little bit what you mean?

A. They asked, as a special favor of me, if I would do it. They had made the contract from an earlier date, which was [66] necessary because they didn't know when the picture they wanted me for would be started, and to run later so they would have me under contract during that period. In that way they could start any date they wanted to. In the meantime, they didn't start as soon as they thought they would, and asked me to do this other picture to help them out, which I agreed to do and did do. However, the picture was never released with me in it. They put it on the shelf. I don't know as that is of any interest to you. That is my story and it has nothing to do with this case. I did work for them for a few weeks at their request.

(Deposition of Ina Claire Wallace.)

Q. When was that?

A. I don't know whether that was the last of November, beginning the last of November or December, but it was around then. I either started in November or the first of December. I don't really remember.

Q. Of 1938? A. Yes.

Q. How long were you working in that picture?

A. I think about six weeks; five or six weeks.

Q. That would take it up to the first part of January? A. Yes.

Q. Then from the first part of January, 1939, until May you were not engaged in the making of any picture? A. No.

Q. Now, during the period from the end of that picture [67] in January until your marriage where were you? A. In Beverly Hills.

Q. All the time?

A. No. I was in San Francisco part of the time.

Q. How much of the time were you in San Francisco?

A. There was a period of about four or five weeks—and time in between I was here too—when I was here, but not constantly. I came up, and went back, and came up again.

Q. Now, going back to Beverly Hills, during the period of the whole year, 1939, you rented two houses? A. Yes.

Q. You testified as to one house, the house that was rented? A. In March; yes.

(Deposition of Ina Claire Wallace.)

Q. And prior thereto you had rented another house?      A. Yes.

Q. Mrs. Wallace, will you tell us, during the year 1939 and after your marriage, whether or not you discussed your husband's business with him?

A. Yes, I did.

Q. Did you discuss your professional activities with him?      A. Yes.

Q. Mrs. Wallace, I hand you a photostatic copy of a document and ask you, first, if this signature that is written under the word "Accepted" is your signature? [68]

A. (Examining document and signature) Yes.

Q. I call your attention also to a rider attached to it. Does that also bear your signature?

A. (Examining rider and signature) Yes.

Q. Does this document purport to be your agreement with Loew's, Inc.?      A. Yes.

Mr. Murray: Off the record.

(Remarks off the record.)

Mr. Wallace: I will offer this photostatic copy of the contract as Petitioner's Exhibit No. 1.

(The document above referred to was offered in evidence and marked for identification as Petitioner's Exhibit No. 1).

[Printer's Note: Petitioner's Exhibit No. 1 is set out at page 46 of this printed Record.]

Mr. Wallace: It is agreed between counsel for both parties that this exhibit, Petitioner's Exhibit No. 1, may be withdrawn for the purpose of having

(Deposition of Ina Claire Wallace.)

further copies made with the understanding that when copied it will be introduced in evidence at the hearing.

Mr. Murray: So stipulated.

By Mr. Wallace:

Q. Mrs. Wallace, aside from this document, Petitioner's No. 1, did you have any other understandings or agreements with Loew's, Inc.?

A. Yes. I had an oral understanding with Loew's Inc. that I was employed for Miss Garbo's picture at a salary equal to my normal theatrical season's earnings to be paid in weekly installments of \$2,000.00 a week for a period of 34 weeks during a 40 week season beginning November 1938 and ending in September 1939. I agreed to be available in Los Angeles during that period and to do one or more other pictures for them if the pictures met with my approval. [69]

Mr. Wallace: It is stipulated between the parties that [70] the total amount of deductions here in question, half of which has been claimed by each of the Petitioners herein on his or her separate Federal income tax return for the calendar year 1939, all of which has been disallowed by the Respondent in his deficiency notices in the respective cases, is not in dispute; that such total deduction consists of the personal living expenses of Petitioner, Ina Claire Wallace, incurred at Beverly Hills during the period from March 16, 1939, to September 15, 1939; and that during all of said period she

(Deposition of Ina Claire Wallace.)

was employed by Loew's, Inc. under the terms of the agreement, a copy of which has been offered in evidence as Petitioner's Exhibit No. 1.

Mr. Murray: So stipulated.

By Mr. Wallace:

Q. Mrs. Wallace, at all times since March 16, 1939, did you intend to live in San Francisco?

A. Yes.

Q. At any time during that period have you intended to live anywhere else? A. No.

Q. And since March 16, 1939, have you from time to time left San Francisco for professional engagements? A. Yes.

Mr. Murray: Off the record.

(Remarks off the record.)

By Mr. Wallace: [71]

Q. From September—so the record will be clear—from September 15, 1939, when you arrived in San Francisco, did you remain in San Francisco the balance of that year?

A. Just a minute. Let me see, when did I go east to do the summer stock? No, it wasn't that year. Yes, I was here.

Mr. Wallace: I think that clears that up, Mr. Murray.

Mr. Murray: Off the record.

(Remarks off the record.)

Mr. Wallace: That is all.



(Deposition of Ina Claire Wallace.)

Cross Examination

By Mr. Murray:

Q. Mrs. Wallace, during the 10 year period prior to 1938, where did you consider your residence to be?

A. I considered my residence during that period to be in California from 1929 to about August, 1932; then I went back to Connecticut and lived there until about March or April of 1936; then I lived at the Pierre Hotel in New York City until I came to California in November 1938 and since I married I have considered my residence to be San Francisco. [72]

Q. Mrs. Wallace, during the ten-year period prior to 1938 did you reside in one or more places?

A. Yes.

Q. Well, which?

A. I resided in New York City, but I traveled all over the country. It is difficult to answer that question unless I know what you mean.

Q. I want to bring out whether you kept a residence in New York City during the ten-year period prior to 1938 and up to the time you went to Hollywood.

A. Yes. Wait a minute. I had a house in the country, too.

Mr. Wallace: Let me see if we can clear that up. Off the record.

(Remarks off the record.) [73]

(Deposition of Ina Claire Wallace.)

By Mr. Murray:

Q. Where did you file your income tax return for the years prior to 1938, in New York or in Connecticut?

A. In Connecticut. My home was in Connecticut. My business was in New York City. I am not sure there wasn't a year or two in the middle that I didn't file an income tax return from New York City. I think that ought to be checked up with Howard Rinheimer, because I don't know where one year left off and another began as I sold my house in Connecticut.

Q. Did you have a residence in Connecticut for a number of years?           A. Yes.

Q. How long?

A. You asked about a ten-year period. I wasn't in New York for ten years. I was in Connecticut part of that time.

Q. While a resident of Connecticut did you also have an apartment in New York City?

A. Yes.

Q. Did I understand you to say your business residence was in New York and your personal residence in Connecticut at that time?           A. Yes, sir.

Q. During that whole ten-year period?

A. Yes.

Q. When you came out to Hollywood——

Mr. Wallace: I don't think that answer is quite correct. [74] Off the record.

(Remarks off the record.)

(Deposition of Ina Claire Wallace.)

By Mr. Murray:

Q. Approximately when did you cease to have a residence in Connecticut?

A. About 1936, I should think.

Q. And at that time where did you take up a residence?

A. I lived at the Pierre Hotel in New York City.

Q. Did you continue to live in New York City from that time in 1936 until you came to Hollywood in 1938?      A. Yes.

Q. Where did you consider your personal residence during that period from 1936 until you went to Hollywood in 1938?      A. New York City.

Q. Now, when you left New York City did you still have an apartment under lease there?

A. Yes.

Q. Where was that, please?

A. That was at—it was a new apartment—No. 3 East 69th Street, I think.

Q. How long a lease did you have at that time, do you recall?

A. I think it was a three-year lease with options.

Q. What did you do with that apartment when you came to Hollywood in the fall of 1938?

A. I left it there; it just sat there. [75]

Q. Did you not sub-lease it?

A. Yes, I did subsequently; that is right. To three successive parties.

(Deposition of Ina Claire Wallace.)

Q. What was the history of the remainder of the lease after that time, the New York lease—what happened to the apartment?

A. Well, the lease ran out its three years and that was the end of it.

Q. Did you ever live in it at all after 1938?

A. No. I never even slept in it once. I was still living at the Pierre Hotel, and the hotel had just been furnished for me when a long distance telephone call came in and urged me to come out to California. I hadn't even moved into my apartment. I packed my baggage and left. I never moved into the apartment at all.

Q. Did you ever spend any considerable time in Hollywood prior to 1938?

A. Yes. I was married there. I lived there once before.

Q. Do you recall when and to what extent, the approximate extent the time was?

A. I lived there—let me see. I was married for a little over a year. I was married in May, 1929.

Q. Then practically how long did you continue to live there?

A. I lived there until—I suppose my legal residence was still there, but I went east to do a picture in, I think, October or November of 1930. Let me see—then I lived there [76] for over a year; yes, I lived there over a year, a year and a few months.

Q. Then did you return to Hollywood after that time, after that period?

(Deposition of Ina Claire Wallace.)

A. Yes. You want dates, don't you?

Q. Approximately. I want the periods of time more than dates.

A. It is hard for me to remember. It is all very choppy. I am afraid I can't give dates without actually looking up the contracts, and things, because I came back, and I went away again. I know I had a contract with Mr. Goldwyn.

Q. Where, in Hollywood?

A. Yes. That was later on.

Q. It was after 1930? A. Oh, yes.

Q. Have you any idea of the extent of that engagement in time?

A. I think that was about—it might have been six months.

Q. At that time?

A. I remember I went back east—that was a canceled contract—and went abroad. That was in the wintertime. I came back in the spring and did a play, which I started in Cleveland, Ohio. Anyway, by that time it was spring and then I came out here.

Mr. Wallace: With the play? [77]

The Witness: With the play.

By Mr. Murray:

Q. To San Francisco?

A. I played here also. It was sort of a tour. I jumped from Cleveland out here to Hollywood, where we rehearsed another company, and then we came up the coast to play two or three cities,



(Deposition of Ina Claire Wallace.)

and then went back to Hollywood. That was in the theater, not pictures.

Q. Do you remember approximately what year that was?

Mr. Wallace: What play was that?

The Witness: Reunion in Vienna.

Answering your question, it was in 1932, I should think.

By Mr. Murray:

Q. Where did you consider your legal residence to be during that period?

A. Still in California.

Q. Now, as I understand it, with respect to the contract with Loew's, Inc., a copy of which is offered in evidence, you came to Hollywood in the fall of 1938, is that right? A. This time?

Q. Yes.

A. Yes; the latter part of November or the first of December, around there.

Q. Where did you live when you first came to Hollywood in the fall of 1938?

A. Beverly Wilshire Hotel for a few weeks, and then I [78] took a house on Camden Drive. I have forgotten the number.

Q. How long did you have the house?

A. Well, let me see—I had it about three months. I wasn't there half of the time.

Q. When you signed this contract with Loew's, Inc. did you have some idea of how long you thought it would take to complete it?

(Deposition of Ina Claire Wallace.)

A. Well, it depended, of course, on when we started. The starting date was very indefinite. They didn't know. That was the reason I made the contract because they couldn't give me any date, you see, and wanted me especially for this particular picture.

Q. As a matter of fact, it covered a period of time from sometime in November or early December, 1938, until September 15, 1939, is that right?

A. That is right.

Mr. Wallace: The contract is dated November 18, 1938, if you want that date.

Mr. Murray: Let the record show the contract is dated November 18, 1938.

The Witness: That was on my arrival here. It began the day I arrived in Hollywood.

By Mr. Murray:

Q. You arrived in Hollywood on that date?

A. On that date; yes.

Q. And you signed the contract as of that date?

[79]

A. Yes, I presume so. I don't think I signed the contract until I got there. They always say, "We need you tomorrow," and then you don't work until six months.

Q. When you executed this contract and, in connection with it, came to Hollywood, did you have any special intention of what you would do when the contract was completed or terminated?

A. Well, at that time I supposed I would go back to New York again.

(Deposition of Ina Claire Wallace.)

Q. Then I understand that in connection with that contract you put some work on one picture for six weeks or thereabouts? A. Yes.

Q. And which picture was not completed, as far as you were concerned? A. That is right.

Q. There was a waiting period in between then and the time when you started making a picture during May?

A. The picture I was really engaged for; yes.

Q. And that picture continued practically until September 15, 1939, or thereabouts?

A. Yes. I don't know whether it lasted quite through the time. Anyway, they had to pay me to the end.

Q. You say they did have to pay you?

A. Yes, because that was the duration of the contract.

Q. Did you receive pay during that whole period, or [80] were there periods between November 18, 1938, and September 15, 1939, when you did not receive any payment under this contract?

A. They paid me by the week, really, for the picture. They made it on terms of weekly payments.

Q. And you received pay under the contract for the whole period, that is, from the beginning to the end of the contract?

A. Yes. I think there was some talk about six weeks in there for which they didn't pay me. What was that about? I just don't remember.

(Deposition of Ina Claire Wallace.)

Mr. Murray: Off the record.

(Remarks off the record.)

By Mr. Murray:

Q. According to your memory, how many weeks were you paid in connection with your full contract with Loew's, Inc.?

A. For approximately 34 weeks at \$2,000 a week.

Q. I understood you to state on direct examination that you made an agreement with Mr. Wallace as to your residence from the date of your marriage forward, is that right? A. Yes.

Q. Do you recall approximately when you made such an agreement?

A. At the time we were married.

Q. Do you recall approximately what the agreement was, that is, what was said?

A. Well, I think I said to Mr. Wallace, "You live a long, [81] long way from me." It was either a question of Mr. Wallace coming east to live where I lived, or my coming here to live where he lived, and I decided I would rather come to live where he did, and he agreed that was a nice thing to do. I said, "I think I have traveled enough." He had his roots here so we decided to stay here.

Q. Since your marriage to Mr. Wallace have you continued to proceed with respect to your profession as you had before that time?

A. Well, I don't know just what you mean by that.

(Deposition of Ina Claire Wallace.)

Q. Do you still hold yourself open for contracts of any kind in your profession? A. Yes.

Q. And at any location? A. Yes.

Q. Have you been away from San Francisco for any considerable periods of time since 1939 in connection with your profession?

A. Yes. In the summer of 1940 I spent from June until about September in the east playing, and then returned here. Then I went east again to do a play in the fall of 1940. In November I went to New York to discuss the play further, and rehearsed the play, and we opened in—it is difficult to remember dates—we opened in January on the road. We played on the road for about six weeks and then we went to New York in February. [82]

Q. 1941?

A. Yes, 1941. We stayed in New York a couple or three months. I came back here, I think, in April, the middle of April. The play closed and I came straight back here again.

Q. There is just one point that I want to go back on a little bit to see if I understand this point correctly. I understand that when you first went to Hollywood in November, 1938, you lived at a hotel for a period of several weeks? A. Yes.

Q. Then you rented a house for three months?

A. No, I had an apartment as well. I hadn't moved into the apartment yet.

Q. I don't mean in New York. I mean in Hollywood or Beverly Hills.

A. Oh—I am sorry.



(Deposition of Ina Claire Wallace.)

Q. You lived at a hotel in Beverly Hills for a matter of several weeks?

A. At the Beverly Wilshire Hotel, yes, for two or three weeks.

Q. And then you leased a house for a period of three months, is that right? A. Yes.

Q. Then you leased still another house as of March 15, 1939? A. Yes.

Q. Until September 15, 1939, in Beverly Hills?  
[83]

A. That is right.

Q. And the rent of that house, that last house you leased, is the main item in the deductions here involved in this case? A. That is right.

Mr. Wallace: That is right.

Mr. Murray: Off the record.

(Remarks off the record.)

Mr. Murray: On the record.

The Witness: It is a coincidence that the lease of the house happened to start on March 15, because it was engaged before I had decided to marry Mr. Wallace. If I hadn't already rented the house before I had decided to marry Mr. Wallace, I would never have taken the house. I would have stayed in a hotel instead.

Mr. Murray: That is all.

#### Redirect Examination

By Mr. Wallace:

Q. Mrs. Wallace, you testified, I think, on cross examination by Mr. Murray that at the time you

(Deposition of Ina Claire Wallace.)

left New York to come to California to do the picture you intended to return to New York?

A. Oh, yes.

Q. That is, because you considered your residence there? A. Yes.

Q. And at that time you did not intend to make California your home? [84] A. No.

Q. When did you change your mind?

A. When I got married.

Q. Mrs. Wallace, have you since your marriage from time to time gone east on business?

A. Yes.

Q. Have you from time to time accompanied your husband east on business? A. I have.

Q. Have you sometimes gone alone on business?

A. Yes.

Q. And has he sometimes gone alone on business? A. Yes.

Mr. Wallace: I think that is all.

Mr. Murray: That is all.

(Signed) INA CLAIRE WALLACE

State of California

City and County of San Francisco—ss.

I, Amy B. Townsend, a Notary Public in and for the City and County of San Francisco, State of California, do hereby certify:

That the witness in the foregoing deposition named, Ina Claire Wallace, was by me duly sworn to tell the truth, the whole truth, and nothing but

the truth in the within entitled cause; that said deposition was reported by C. W. Johnson, a competent court reporter and a disinterested person, and was thereafter transcribed by him into long-hand typewriting; that when so transcribed said deposition was read to or by the witness, and, after being by her corrected in all particulars desired, was by said witness subscribed in my presence.

In Witness Whereof, I have hereunto set my hand and affixed my seal of office, this 30th day of January A.D. 1943.

[Seal]

AMY B. TOWNSEND

Notary Public in and for the  
City and County of San  
Francisco, State of California

[Endorsed]: T. C. U. S. Filed Feb. 1, 1943. [86]

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The Tax Court of the United States  
Washington

Docket No. 110143

WILLIAM R. WALLACE, JR.,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,  
Respondent.

CERTIFICATE OF CLERK TO  
TRANSCRIPT OF RECORD

I, B. D. Gamble, clerk of The Tax Court of the United States do hereby certify that the foregoing

pages, 1 to 97, inclusive, contain and are a true copy of the transcript of record, papers, and proceedings on file and of record in my office as called for by the Praecipe in the appeal (or appeals) as above numbered and entitled.

In testimony whereof, I hereunto set my hand and affix the seal of The Tax Court of the United States, at Washington, in the District of Columbia, this 24th day of August, 1943.

(Seal)

B. D. GAMBLE,

Clerk, The Tax Court of the  
United States.

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The Tax Court of the United States  
Washington

Docket No. 110144

INA CLAIRE WALLACE,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,  
Respondent.

CERTIFICATE OF CLERK TO  
TRANSCRIPT OF RECORD

I, B. D. Gamble, clerk of The Tax Court of the United States do hereby certify that the foregoing pages, 1 to 98, inclusive, contain and are a true copy of the transcript of record, papers, and proceedings

on file and of record in my office as called for by the Praeceptum in the appeal (or appeals) as above numbered and entitled.

In testimony whereof, I hereunto set my hand and affix the seal of The Tax Court of the United States, at Washington, in the District of Columbia, this 24th day of August, 1943.

(Seal)

B. D. GAMBLE,

Clerk, The Tax Court of the  
United States.

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[Endorsed]: No. 10547-48. United States Circuit Court of Appeals for the Ninth Circuit. William R. Wallace, Jr., Petitioner, vs. Commissioner of Internal Revenue, Respondent. Ina Claire Wallace, Petitioner, vs. Commissioner of Internal Revenue, Respondent. Transcript of the Record. Upon Petitions to Review Decisions of The Tax Court of the United States.

Filed September 10, 1943.

PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals  
for the Ninth Circuit.



In the United States Circuit Court of Appeals.

Case No. 10547

WILLIAM R. WALLACE, JR.,

Appellant,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Appellee.

MOTION TO CONSOLIDATE PROCEEDINGS

To the Honorable United States Circuit Court of Appeals:

Come Now the Appellant, William R. Wallace, Jr., and the Appellee, Commissioner of Internal Revenue, and respectfully move this Honorable Court that the above entitled proceeding be consolidated with that certain proceeding wherein Ina Claire Wallace is Appellant and the Commissioner of Internal Revenue is Appellee, Case No. 10548, and as grounds for their motion allege as follows:

1. That the two proceedings were consolidated in the Tax Court of the United States, and the Memorandum of Opinion of that Court covers both cases;

2. That, except for the petitions of the respective appellants and the respective answers of the appellee thereto, both cases were heard and determined in the Tax Court of the United States upon a single record.

3. That appellant and appellee do hereby stipu-

late that the two cases may be heard upon a single printed record.

4. That the consolidation of the two proceedings will facilitate the hearing and determination of the matters by this Court.

Wherefore appellant and appellee pray this Honorable Court that it consolidate the above entitled proceeding with the proceeding wherein Ina Claire Wallace is appellant and that the consolidation may be heard upon a single printed record in both cases.

Dated: September 21st, 1943

WILLIAM R. RAY,

Attorney for Appellant.

SAMUEL O. CLARK, JR.,

Attorney for Appellee.

So Ordered:

WILLIAM DENMAN,

United States Circuit Judge.

[Endorsed]: Filed Sept. 28, 1943. Paul P. O'Brien, Clerk.

In the United States Circuit Court of Appeals  
for the Ninth Circuit

Case No. 10547

WILLIAM R. WALLACE, JR.,

Appellant,

vs.

COMMISSIONER OF INTERNAL REVENUE,  
Appellee.

Case No. 10548

INA CLAIRE WALLACE,

Appellant,

vs.

COMMISSIONER OF INTERNAL REVENUE,  
Appellee.

STIPULATION CONCERNING DESIGNA-  
TION OF RECORD.

To the Clerk of the above entitled Court:

The respective appellants in each of the above entitled cases and the appellee therein have heretofore moved this Honorable Court for a consolidation of the above entitled cases and for an Order of said Honorable Court to permit the filing of a single printed record to cover both of said cases. The respective appellants and appellee hereby stipulate and designate the record proceedings and evidence to be contained in said single record on appeal to be the following, to-wit:

1. The petition of William R. Wallace, Jr., together with the exhibits attached thereto;
2. The answer of appellee thereto;
3. Petition of Ina Claire Wallace, together with the exhibits attached thereto;
4. Answer of appellee thereto;
- 4a. Memorandum Opinion of The Tax Court of the United States;
5. Decisions entered on May 7, 1943 pursuant to determination by the Tax Court of the United States as set for in said Memorandum Opinion.
6. Transcript of Testimony in question and answer form taken and received before the Hon. Charles P. Smith, on the 1st day of February, 1943, together with the deposition of Ina Claire Wallace offered in evidence at said hearing.
7. Any and all exhibits offered and received at said hearing on February 1, 1943.

Dated :

WILLIAM R. RAY,

Attorney for appellant William R. Wallace, Jr.

W. R. WALLACE,

Attorney for appellant Ina Claire Wallace.

SAMUEL O. CLARK, JR.,

Attorney for appellee.

[Title of Circuit Court of Appeals and Causes.]

STATEMENT OF POINTS.

The question in issue rises under the provisions of section 23 (a) of the Internal Revenue Code. That section permits the deduction of traveling expenses, including the entire amount expended for meals and lodging while away from home in the pursuit of a trade or business.

The appellants are husband and wife maintaining their residence in San Francisco. They filed separate returns with the Collector of Internal Revenue for the year 1939. The Commissioner disallowed expenses incurred by appellant Ina Claire Wallace during the period she was engaged in making a motion picture in Los Angeles, California. The question presented on this appeal is whether the petitioners, or either thereof, are entitled to deduct as ordinary and necessary business expenses for the calendar year 1939 certain living expenses incurred by the appellant Ina Claire Wallace in Los Angeles, California while in pursuit of her vocation as an actress and one-half of which expenses were deducted by each of the appellants.

Dated: San Francisco, California, October 8th, 1943.

WILLIAM R. RAY,

W. R. WALLACE,

Attorneys for Appellants.

(Affidavit of Service by mail attached.)

[Endorsed]: Filed Oct. 8, 1943. Paul P. O'Brien,  
Clerk.



